Authoritarian Modernization in Indonesia's Early Independence Period

The Foundation of the New Order State (1950-1965)

Farabi Fakih

BRILL

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Abbreviations and Acronyms

AHM	Akademi Hukum Militer (Military Law Academy)
APDN	Domestic Government Academy (Akademi Pemerintahan Dalam Negeri)
API	Indonesian Flight Academy (Akademi Penerbangan Indonesia)
APRI	Indonesian Republic Armed Forces (Angkatan Perang Republik Indonesia)
Bakopda	Badan Koordinasi Daerah (Regional Coordination Board)
Bamunas	Corporatist Body of Private Business Owners (Bamunas)
Banas	Badan Nasionalisasi (Nationalization Board)
Bapekan	Badan Pengawas Kegiatan Aparatur Negara (Supervisory Body for the Activities of State)
Baperdep	Badan Perantjang Departemen
Bapindo	Indonesian Development Bank
Bappenas	National Planning Body (*Badan Perantjang Nasional*)
Bappit/BAPPIT	Badan Pusat Penjelenggaraan Perusahaan-perusahaan Industri dan Tambang (Central Body for the Management of Industrial and Mining Companies)
BEK	Council for Economy and Finance
BI	Bank Indonesia
BKBLN	Biro Koordinasi Bantuan Luar Negeri (Coordinating Bureau for Foreign Assistance)
BMKN	Council for Deliberations on National Culture (Badan Musjawarah Kesenian Nasional)
BKS	Military Cooperation Bodies (Badan Kerdjasama Militer)
BKSPM	Cooperation Body between Youth and Military (Badan Kerdjasama Pemuda Militer)
BKS-Bumil	Military Labour Cooperation Body (Badan Kerdjasama Buruh Militer)
BPA	Administration Development Center (Balai Pembinaan Administrasi)
BPI	Badan Pusat Intelijen Intelligence Office
BPN	State Planning Bureau (Biro Perantjang Negara)
BPS	Statistics Bureau (BPS), Central Statistical Board (BPS), Badan Pusat Statistik
BPU	Badan Pelaksana Umum
Brimob	Police Mobile Brigade
BTI	BarisanTani Indonesia
BUD	Trading Companies Management Board (BUD)
CAG	Comparative Administration Group

CCF	Co-operative Commonwealth Federation
CENIS	Center for International Studies
CIA	Central Intelligence Agency
DAC	Development Assistance Committee
DEIP	Indonesian Central Economic Council (Dewan Ekonomi Indonesia Pusat)
Dekon	Economic Declaration (Deklarasi Ekonomi)
DEP	Economic and Development Council (Dewan Ekonomi dan Pembangunan)
Depernas	National Planning Council (Dewan Perantjang Nasional)
DITADJ	General Adjutant Directorate (Direktorat Adjudan Djenderal)
DI/TII	Darul Islam/Islamic Armed Forces of Indonesia (Darul Islam/Tentara Islam Indonesia)
DPC	Special Forces Detachment (Detasemen Pasukan Chusus)
DPR	People's Representative Council or House of Representatives (Dewan Permusyawaratan Rakjat)
ECA	Economic Cooperation Administration
EROPA	Eastern Regional Organization for Public Administration
FEUI	Economics Faculty University of Indonesia (Fakultas Ekonomi-Universitas Indonesia)
Finek	Finansial Ekonomi (Financial Economic Bureau)
Ganefo	Games of the New Emerging Forces
GDP	Gross Domestic Product
GNP	Gross National Product
HIR	Herziene Inlandsche/Indonesische Reglement (Indonesian Civil Law Code)
HKS	Army Staff College (Hogere Krijgsschool)
HSI	Association of Indonesian Scholars (Himpunan Sardjana Indonesia)
ICA	International Cooperation Agency
IIAS	International Institute for Administrative Science
ILO	International Labour Organization
IPB	Bogor Agricultural Institute (Institut Pertanian Bogor)
ISEI	Association of Indonesian Economists (Ikatan Sardjana Ekonomi Indonesia
ITB	Bandung Institute of Technology (Institut Teknologi Bandung)
KBKI	Indonesian Peoples Labour Concentration (Konsentrasi Buruh Kerakjatan Indonesia)
KDM	Military District Command (Komando Distrik Militer) later: Kodam.
DEIP	Dewan Ekonomi Indonesia Pusat
KKO	Korps Komando (Indonesian Marine Corps)

KL	Royal Nethelands Army (Koninklijke Leger)
KMA	Royal Netherlands Military Academy (Koninklijke Militaire Akademie)
KNIL	Royal Netherlands Indies Army (Koninklijke Nederlandsch Indische Leger)
Kodam	Military District Command (Komando Daerah Militer)
KODM	Military Sub-District Command (Komando Onder-District Militer)
KOGAM	Crush Malaysia Command (*Komando Ganjang Malaysia*)
KOGM	People's Welfare Operation Command (Komando Operasi Gerakan Makmur)
Kopassus	Special Forces Command (Komando Pasukan Khusus)
Kopedasan	Regional Border Development Command Komando Pembangunan Daerah2 Perbatasan
Kostrad	Army Strategic Command (Komando Strategis Angkatan Darat)
KOTARI	Berdikari Highest Command (Komando Tertinggi Berdikari)
KOTI	Indonesian High Command (Komando Tertinggi Indonesia)
KOTRAR/Kotrar	Highest Command for the Retooling of Revolutionary Tools (Komando Tertinggi Retooling Alat Revolusi)
KPU	Office of Government Employees (Kantor Pegawai Umum)
LAN	State Administrative Academy (Lembaga Administrasi Negara)
Leknas	Lembaga Ekonomi dan Sosial Nasional, Leknas. National Economic and Social Research Institute
Lekra/LEKRA	People's Cultural Organization (Lembaga Kebudajaan Rakjat)
Linud	Flying Corps/Special Air Force Group Airborne (Pasukan Lintas Udara)
LPEM	Research Institute on Economy and Society (Lembaga Penjelidikan Ekonomi dan Masjarakat)
LPHN	National Law Development Institute (Lembaga Pembinaan Hukum Nasional)
LP IKIP	Research Body Institute of Teaching and Science (Lembaga Penelitian Institut Keguruan dan Ilmu Pengetahuan)
LPK	Course on Development Management (Latihan Pembangunan Ketatalaksanaan)
LVRI	Veteran's Legion of the Republic of Indonesia (Legiun Veteran Republik Indonesia)
Manipol	Political Manifesto (Manifesto Politik)
MAP	Military Assistance Program
MBA	Masters of Business Administration
MII	Indonesian Industrial Council (Madjelis Industri Indonesia)
MIPI	Indonesian Science Council (Madjelis Ilmu Pengetahuan Indonesia)

MIT	Massachusetts Institute of Technology
MOSVIA	Middle School for Native Officials (Middelbare Opleiding School voor Inlandsche Ambtenaren)
MPR	People's Consultative Assembly (Madjelis Permusjawaratan Rakjat)
MPRS	Provisional People's Consultative Assembly (Madjelis Permusjawaratan Rakjat Sementara)
Munap	National Development Congress (Musyawarah Pembangunan Nasional)
Muppenas	National Planning Consensus (Musjawarah Perentjanaan Nasional)
MUVI	Advisory Council for Indonesian Veterans Affairs (Madjelis Usaha Veteran Indonesia)
NMM	Netherlands Military Mission (Nederlandse Militaire Missie)
NU	Nahdhatul Ulama
OSVIA	School for Native Officials (Opleiding School voor Inlandsche Ambtenaren)
Pakin	Panitja Koordinasi Inter-departemental (Inter-departmental Coordinating Committee)
Paran	National State Apparatus Retooling Committee (Panitia Retooling Aparatur Nasional)
Peperda	Regional War Authority (Penguasa Perang Daerah)
Peperpu	Central War Authority (Penguasa Perang Pusat)
Peperti	Supreme War Authority (Penguasa Perang Tertinggi)
Perbana	Persatuan Bank Nasional (National Bank Association)
Permesta	Universal Struggle Charter (Piagam Perdjuangan Semesta)
Perpu	Government Regulation in Lieu of of Acts (Peraturan Pemerintah Pengganti Undang-undang)
PETA	Homeland Defenders (Pembela Tanah Air)
PKI	Indonesian Communist Party (Partai Komunis Indonesia)
PNI	Indonesian Nationalist Party (Partai Nasional Indonesia)
PODSCORB	Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting
PP	Government Regulation (Peraturan Pemerintah)
PP&K	Education, Teaching and Culture (Pendidikan, Pengadjaran dan Kebudajaan)
PPN-Baru	New State Plantation Company (Perusahaan Perkebunan Negara Baru)
PPNSB	Overall National Planning Development Pattern (Pola Pembangunan Nasional Semesta Berentjana)
PRRI	Revolutionary Government of the Republic of Indonesia (Pemerintah Revolusioner Republik Indonesia)

PSI	Indonesian Socialist Party (Partai Sosialis Indonesia)
PTIP	Higher Education and Science (Pendidikan Tinggi dan Ilmu Pengetahuan)
PTT	Pos, Telepon dan Telegraf (Post, Telephone and Telegram)
PUTABA	Centre for Foreign Employees (Pusat Tenaga Bangsa Asing)
PWI	Indonesian Journalist Union (Persatuan Wartawan Indonesia)
RKS	Cooperating Body for Labour Unions (Rapat Kerdja Sama)
RPKAD	Army Commando Force Regiment (Resimen Pasukan Komando Angkatan Darat
RRT	People's Republic of China (Republik Rakjat Tiongkok)
RTC	Round Table Conference
SARA	Ethnicity, Religion, Race and Inter-group (Suku-Agama-Ras-Antargolongan)
Seskoad	Army Command and General Staff College (Sekolah Staf dan Komando Angkatan Darat)
Simba/SIMBA	Seminar on Industrial Management and Business Administration
SOB	Martial Law (Staat van Oorlog en Beleg)
SOBSI	Central All-Indonesian Workers Organization Sentral Organisasi Buruh Seluruh Indonesia)
SOE S	state-owned enterprises
SSKAD	Army Staff and Command School (Sekolah Staf dan Komando Angkatan Darat)
STII	Indonesian Islamic Peasants Union (Serikat Tani Islam Indonesia_
STM	Military Sub-Territory (Sub-Territorium Militer)
STOVIT	School for the Education of Native Dentists (School tot Opleiding van Indische Tandartsen)
SUNY	State University of New York
Tjaduad	Army General Reserve (TjadanganUmum AD, or Tjaduad) i
TNI	Military of the Republic of Indonesia (Tentara Republik Indonesia)
TNI-AD	Military of the Republic of Indonesia – Land Force/Army (Tentara Republik Indonesia – Angkatan Darat)
Transkopemada	Transportation, Cooperation, and Rural Community Development (Transportasi, Koperasi dan Pembangunan Masjarakat Desa)
TRIP	Republic of Indonesia Student Army (Tentara Republik Indonesia Pengajar)
TWI	Training Within Industry
UC	University of California
UCSF	University of California in San Francisco
UGM	Universitas Gadjah Mada
UI	Universitas Indonesia

UK	United Kingdom
UN	United Nations
UNESCO	United Nations Educational Scientific and Cultural Organization
UNTAA	United Nations Technical Assistance Administration
UNTEA	United Nations Temporary Executive Authority
UPPENAS	Ministry of National Planning
US	United States
USA	United States of America
USAID	United States Agency for International Development
USDEK	Undang-undang Dasar 1945, Sosialisme Indonesia, Demokrasi Terpimpin, EkonomiTerpimipin, and Karakter Indonesia (the Constitution of 1945, Indonesian Socialism, Guided Democracy, Guided Economy, and the Indonesian Character.
USSR	Union of Soviet Socialist Republic
UUPA	Regulation on Basic Agrarian Principles (Undang-undang Peraturan Dasar Pokok Agraria).
UUPBH	Regulation on the Agreement of Joint Revenue Sharing (Undang-undang Perdjandjian Bagi Hasil)
VSTP	Union of Railway and Tramway Personnel (Vereenigin van Spoor en Tramweg Personeel)

Names of Archives

ANRI	Arsip Nasional Republik Indonesia
NA	Nederlands Archief
NAA	National Archives of Australia

Introduction

The twentieth century was the century of the state. While liberalism gained traction later in the century, such that Francis Fukuyama declared its triumph as the end of history,[1] during the mid twentieth century, state-led development and the welfare state were the reigning paradigms that transcended the borders of communism and capitalism. In a speech in Italy in 1954, the American sociologist Edward Shils declared that ideology had ended.[2] The division now was between individual liberalism and the state, with the latter winning. The victory of state-led development came alongside the expansion of the state itself and its bureaucracy. This expansion, during the first half of the twentieth century, was the result of several factors: The increasing politicization of the middle and working classes and the advent of the Great Depression drove the creation of the welfare state as a way to quell popular political unrest.[3] Plus, the Second World War culminated in the emergence of Total War, in which society and economy were 'retooled' under state management in order to direct the resources needed to win the war.[4] After the end of the war, the institutions and relationships that were created between the state and the industrial sector continued, necessitating the preservation of the position of the state and private managers. The rise of white-collar office workers, the result of an expanding bureaucracy in both the state and the private sector, was as much due to a need to generate new positions of employment for the expanding university-educated population as it was a way to ensure that these individuals did not become radicalized by ideas of Marxist class struggle.[5] Bureaucratic expansion was thus predicated on both external and internal threats and the need to create an effective strategy to combat these threats.

The rise of the state also heralded the rise of management as a science. Its intellectual origins come from two different fields. The first was the development of industrial Taylorism on factory shop floors.[6] These engineering

1 Francis Fukuyama, *The End of History and the Last Man* (New York: Simon and Schuster, 2006).
2 Nils Gilman, *Mandarins of the Future: Modernization Theory in Cold War America* (Baltimore: John Hopkins University Press, 2003), 58.
3 Frances Fox Piven and Richard Cloward, *Regulating the Poor: The Functions of Public Welfare* (New York: Vintage, 2012).
4 Ronald Schaffer, *America in the Great War: The Rise of the War Welfare State* (Oxford: Oxford University Press on Demand, 1994); Reuel Edward Schiller, 'St. George and the Dragon: Courts and the Development of the Administrative State in Twentieth Century America', *Journal of Policy History*, 17/1 (2005), 110–24.
5 Jill Quadagno, 'Theories of the Welfare State', *Annual Review of Sociology*, 13/1 (1987), 109–28.
6 Craig R. Littler, 'Understanding Taylorism', *British Journal of Sociology* (1978), 185–202.

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approaches to minute time-motion studies were meant to increase the efficiency of individual workers and, at the same time, monitor and control their movements. The second was the political science approach that was supported by American president Thomas Woodrow Wilson and the rise of what came to be called public and business administration science.[7] Coupled with the arrival of the new business organization, the corporation, these developments resulted in the emergence of a new elite for the century: the managerial class. Associated with the emergence of the prominence of the manager was that of the managerial state itself. The managerial state was the antidote to the external and internal threats that loomed large in the twentieth century. It replaced the late-nineteenth-century liberal night-watchman state with its limited bureaucracy.[8] Yet it was understood by many commentators that the managerial state, while promising welfare and efficiency, threatened individual liberty and integrated individuals as cogs in the machine, creating one-dimensional forms of human experience and outlook and, perhaps most ominously, resulted in massive and violent attacks on humankind.[9]

The twentieth century is thus also known as a violent century. The development of the tools of governmentality resulted in their application to discipline, and sometimes eliminate, segments of society. In Europe, the first half of the twentieth century was rife with the surgical removal of ethnic minorities and the elimination of unwanted groups in order to fulfil irrational desires for ethnic or racial purity, while simultaneously strengthening the state and its bureaucracy.[10] The Nazi state that committed crimes of aggression and the elimination of millions of ethnic, racial, political, and religious minorities also presided over an expanding welfare state and public-goods provisions, such as the building of thousands of kilometres of Autobahns.[11] The violence of the managerial state was significant because of its intrusive reach into the heart

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7 Larry Walker, 'Woodrow Wilson, Progressive Reform, and Public Administration', *Political Science Quarterly*, 104/3 (1989), 509–25.

8 Paul Edward Gottfried, *After Liberalism: Mass Democracy in the Managerial State* (Princeton: Princeton University Press, 2001). Gottfried critically examined how American liberal democracy was salvaged in the face of the ideological domination of the welfare state, something that never took place in Indonesia or many other Third World countries.

9 For more on this, see Charles S. Maier, 'Between Taylorism and Technocracy: European Ideologies and the Vision of Industrial Productivity in the 1920s', *Journal of Contemporary History*, 5/2 (1970), 27–61; Herbert Marcuse, *One Dimensional Man: Studies in the Ideology of Advanced Industrial Society* (London: Routledge and Kegan Paul, 1968).

10 Mark Mazower, *Dark Continent: Europe's Twentieth Century* (London: Allan Lane/The Penguin Press, 1998).

11 One paper pointed out the relationship between the culture of the car and how it prepared Germany for the violence of the war; see Kurt Möser, 'The Dark Side of "Automobilism",

of society. Society itself came to be recreated in the ideological image of its managerial elites.

For the non-Western, colonized world, the nature of the colonial state precluded a significant expansion of the welfare state because, especially in cases like the Netherlands Indies, it was the policy to limit the financial burden of the colony. Independence, then, came with the assumption that the provision of welfare would be expanded by the post-colonial state. These rising expectations put a heavy strain on the new national elites because, for many, their education and experience had been shaped through the world of colonial politics and revolution. In this world, those that rose up to the first ranks were charismatic individuals who were able to create followers through the power of their orations or political manoeuvring. Yet, the rising expectations necessitated the creation of a managerial/welfare state and the accompanying managerial elites.[12] The managerial elites obtained their legitimacy through the power of technical education in fields such as engineering, economics, and administrative and other social sciences. This know-how was mostly obtained by the new generation of students that had access to the educational opportunities of Western, especially American, universities.[13] The determining characteristic of the early post-independence period was thus the transition from the nationalist political class, which had won independence, to the new class of managers. This has been shown convincingly by Herbert Feith in his account of the political development of Indonesia in the 1950s and the conflict between what he termed the 'solidarity makers' and the administrators.[14] This book continues this analysis by looking at how and in what manner this administrator class was created and the kinds of ideologies and ideas about state–society relations that it entailed.

A new class of managers emerged alongside the political class, yet their position was weak. They lacked the charismatic appeal or institutionalized followings of the political class.[15] The issue of how to create and confer authority

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1900–30: Violence, War and the Motor Car', *The Journal of Transport History*, 24/2 (2003), 238–58.

12 See Anthony R. Oberschall, 'Rising Expectations and Political Turmoil', *The Journal of Development Studies*, 6/1 (1969), 5–22. Oberschall showed that rising expectations in poorer nations resulted in social unrest and political turmoil.

13 They also had access to Soviet curricula and teaching methods. See Joel Andreas, *Rise of the Red Engineers: The Cultural Revolution and the Origins of China's New Class* (Stanford: Stanford University Press, 2009).

14 Herbert Feith, 'The Decline of Constitutional Democracy in Indonesia' (Ithaca: Cornell University, 1962).

15 Whole studies were conducted by American social scientists on Asian forms of authority in order to understand how new forms of modern authority were being constructed in

became a major problem for the parties of the managerial class, which obtained paltry numbers of votes in national elections. How to control society was the big question for the twentieth-century state. The solution was found through the rise of so-called military managers and the increasing cooperation between the managerial class and the armed forces. The various armed forces' almost monopolistic control of the means of violence allowed them to shape society under the legitimizing guise of development, modernization, and the creation of the welfare state. The military gradually came to be seen by American social scientists as the prime agents of modernity in the Third World. They were seen as rational and goal-oriented, and their position as part of the elite of the nation was favourable to the development and modernization of their societies. Samuel Huntington and Amos Perlmutter painted the army as a Praetorian Guard, with a duty to protect the process of modernization against the ravages of the barbaric political class and the political yearnings of the masses.[16] The position of social scientists was important in this regard. They were not merely scientific observers or spectators of the changes in postcolonial societies but had key roles in helping to shape and create those societies.[17] Their actions and recommendations were guided by their ideological conviction of the good of the welfare state and the importance of modernity and development.[18]

The position of Western social scientists as technical experts operated within the new international aid structure that was developed in the post-war world. This technical aid structure allowed for the transfer of money, people, and ideas from the metropolitan centre to the newly independent states. This involved the creation and re-creation of educational institutions that were developed to produce a technical, managerial class, whose ideologies and theories functioned to legitimize their ruling position in this new society. The

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the post-war world. See, for instance, Mary W. Pye and Lucian W. Pye, *Asian Power and Politics: The Cultural Dimensions of Authority* (Cambridge: Harvard University Press, 2009).

16 Samuel P. Huntington, *The Soldier and the State: The Theory and Politics of Civil-Military Relations* (Cambridge: Harvard University Press, 1981); Amos Perlmutter, *The Military and Politics in Modern Times: On Professionals, Praetorians, and Revolutionary Soldiers* (New Haven: Yale University Press, 1977); Amos Perlmutter, 'The Praetorian State and the Praetorian Army: Toward a Taxonomy of Civil-Military Relations in Developing Polities', *Comparative Politics*, 1/3 (1969), 382–404.

17 Arturo Escobar offers a critical study of developmentalism. See Arturo Escobar, *Encountering Development: The Making and Unmaking of the Third World* (Princeton: Princeton University Press, 2011).

18 Michael E. Latham and John Lewis Gaddis, *Modernization as Ideology: American Social Science and 'Nation Building' in the Kennedy Era*, Vol. IV (Chapel Hill: University of North Carolina Press, 2000).

technical aid structure also helped to establish the tools of governmentality which helped to control society and reinforce managerial authority, and positioned certain state institutions as command centres for integrated developmental planning. These structures allowed states with a weak institutional endowment to develop a foundation onto which a more robust developmental state could later be built.[19] This was a massive re-engineering of post-colonial societies, turning non-aligned Third World states into client states of the West.

1 Sukarno's Guided Democracy Revolution

This book will look into the foundation of Indonesia's New Order (Orde Baru) developmental state (1966–1998) during the tumultuous years of Sukarno's Guided Democracy (Demokrasi Terpimpin, 1957–1965). The book's main argument is that the development of a new managerial class during the 1950s and early 1960s resulted in the creation of both the ideological and the institutional basis for a military-dominated managerial state. In particular, I want to embed this discussion within the international context of technical aid. This technical aid, alongside the various institutions that enabled its application – universities, national planning agencies, the United Nations (UN), and national aid organizations such as USAID[20] – produced a global class of national managers which spread similar ideas of development and control. The rise of a so-called community of scholars that worked in a transnational manner to study the Indonesian case of underdevelopment included individuals from various (mostly English-speaking) Western countries and Indonesia, many of whom were taught by the same group of academics during their master's and doctoral studies in America.[21]

The institutional development of Guided Democracy and Sukarno's idea of revolution was, in many ways, a precursor to the New Order state and Suharto's idea of development. Major institutions, including the National Planning

19 For a closer study of the interventions in Third World societies by America and the USSR, see Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (Cambridge: Cambridge University Press, 2005).

20 USAID had previously been called the Economic Cooperation Administration (ECA) (1948–1951), the Mutual Security Agency (MSA) (1951–1953), the Foreign Operations Administration (FOA) (1953–1955), and the International Cooperation Agency (ICA) (1955–1961). These various names will be used in the book in concordance with their period of operation.

21 David Webster, *Fire and the Full Moon: Canada and Indonesia in a Decolonizing World* (Vancouver: UBC Press, 2010), 77–100.

Agency (Badan Perencanaan Pembangunan Nasional, Bappenas), the army, and regional and rural control authorities, found their roots during this period. The ideology of development had begun to find its voice during this period, couched within Sukarno's revolutionary rhetoric. One major question that arises from this is: why did Sukarno build an institutional basis that would later on challenge his control of the state? As we will see below, he did so reluctantly. The Guided Democracy was an effort by Sukarno and some others within the nationalist political class to co-opt the new managerial class into his revolutionary fold. His rhetoric on revolution included notions about development and modernization. During the initial phase, there was an effort to experiment with corporatist forms of institution-building, allowing for societal, mostly communist, representation in planning bodies and company boards. Yet, by the latter part of the Guided Democracy period, the state had become increasingly centralized and Sukarno's position more dictatorial. This was a result of the failure of societal participation. The Eight-Year National Plan (Pembangunan Nasional Semesta Berentjana), the first and only corporatist national plan, was published in eight volumes with seventeen chapters and 1945 paragraphs, mimicking the date of Indonesia's independence. The symbolism, while glaringly obvious, hardly inspires confidence. It also taught the New Order's nascent technocracy the importance of control and hierarchy, cementing their belief in the efficacy of a military-dominated state.

Indonesia's managerial elite was not a replication of the West's. Most of its members hailed from Indonesia's *priyayi* class;[22] thus, they were mostly Javanese and had a strong predilection for its feudal culture. They also differed from many of the nationalist politicians because they lacked a colonial education and, as a result, had different aspirations and cosmopolitan pretensions. The nationalist politicians were beholden to the ideas of their metropolitan Dutch model. They were enamoured by the spectacle of modernity as expressed through the bright, urban lights of European cities. In comparison, the managers were less convinced of the superiority of European social democracy. They were also less enamoured by the city and implemented pro-rural and pro-poor growth policies during the heyday of the New Order under the largesse of the oil boom of the 1970s.[23] As we will see, the ideas of society that

22 The Priyayi was the mid-to-upper class section of Javanese society that connected the government and the common people. They had traditionally worked in the indigenous administration of the colonial state. The sons and daughters of the priyayi had provided a significant bulk of the Indonesian nationalist intellectual groups.

23 Anne E. Booth, *Colonial Legacies: Economic and Social Development in East and Southeast Asia* (Honolulu: University of Hawai'i Press, 2018); David Henley, 'The Agrarian Roots of Industrial Growth: Rural Development in South-East Asia and Sub-Saharan

would later be expressed by these managers have their roots in Javanese feudalism as well as modern management. One of the important shared points of both was the idea of control. Indonesia's managerial control could not have been conceptualized by cosmopolitan nationalist politicians, but only by a militarized managerial class that operated within the strategies of control. Its rural focus, for instance, can be understood as part of a counter-insurgency strategy. This idea of control was shared by top echelon managers from both military and civilian backgrounds.

Indonesia's managerial state can thus be seen as a counter-insurgency state.[24] The cause of this was paranoia about the enemies of the state: a shadowy force of potential aggression whose source lay within Indonesian society. The terrifying aspect of this enemy was its indistinguishability from ordinary Indonesians. This view allowed every Indonesian to become a potential enemy of the state. The definition of these enemies was discussed by military managers but also by civilian managers and economists, who would analyse the structures of Indonesian society based on their function in relation to the entire corporatist order. This societal control through indoctrination and 'retooling' was introduced during the Guided Democracy. After the rise of the New Order, 'the spectre of communism'[25] was invoked as a way to control society, yet its intellectual origin predated the 1965–1966 killings. Managerial control replaced democracy and civil society as a means of integrating every Indonesian into Sukarno's vision of Revolusi and later into Suharto's *pembangunan* (development). As we will see, fear of the undemocratic nature of the managerial state was expressed by nationalist politicians who saw through the smoke-screen of efficiency. Yet, instead of steadfastly supporting constitutional democracy, Sukarno ended it in a miscalculated effort to co-opt the rising managers in a state that he thought he could continue to control.

Africa', *Development Policy Review*, 30/1 (February 2012), s25-s47. Both Booth and Henley have shown that pro-rural and pro-poor policies were implemented in many parts of Asia, including Indonesia, during the post-war period. In Indonesia's case, the transition to the New Order was essential in understanding this shift.

24 Indonesia's counter-insurgency strategies were built upon the army's experience of putting down the Darul Islam rebellion in West Java, which comprised getting the locals to limit the movement of insurgents (*pagar betis*) and limited forms of infrastructure assistance; a combination of the Civic Action (Karya) programme and strike force action. David Kilcullen, 'Globalisation and the Development of Indonesian Counterinsurgency Tactics', *Small Wars & Insurgencies*, 17/1 (2006), 44–64; D. J. Kilcullen, 'The Indonesian Approach to Counterinsurgency', *Journal of the Royal United Services Institution of Australia*, 24 (2002), 85–93.

25 For more on this, see Ariel Heryanto, *State Terrorism and Political Identity. Fatally Belonging* (London: Routledge, 2006).

There are two aspects that I want to emphasize in understanding the Indonesian New Order state. The first is the institutional aspect. While writers like Ruth McVey and Benedict Anderson have depicted the historically rooted aspect of the institutions of the post-colonial Indonesian state as an old colonial bottle filled with new, elite wines,[26] what I hope to show is the importance of factoring in the presence of the new institutions that were created through both the post-war international aid structure and the institutional Zeitgeist of the Cold War period. That is not to say that the New Order state was the creation of Western social scientists; no doubt many of the technical experts became quite disappointed with the direction of the New Order which, in their minds, should have gone on to become a democratic welfare state in the image of the United States.[27] Instead, the Indonesian managers developed their own form of state–society relations that adapted to include both old feudal and modern management values.

The second feature of the New Order I want to emphasize is its cultural or ideological aspect. The book does not take a deterministic cultural view of Indonesia. As Benda says, why would Indonesians be enthusiastic about democracy when it was never part of their cultural repertoire?[28] No doubt, some elements of traditional and feudal culture must have seeped into the modern conception of the Indonesian state, yet these will also have been tempered by the context of modern management and ideas of control. Rather, culture is related to the institutions; that is, the working institutions of the New Order cannot be understood without taking into account the world view of the elites that determined those institutions – in this case, the managerial elite of this managerial state. Douglass North and others have pointed out the importance of belief systems in determining the functioning of institutions.[29]

Ideas of how the world works, of the relationship between society and the state, and of how the state functions are very much related to the ideology of scientific management. Management functioned more than merely as tools to create an efficient workplace. In fact, one may argue that the existence of

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26 Benedict Richard O'Gorman Anderson, 'Old State, New Society: Indonesia's New Order in Comparative Historical Perspective', *The Journal of Asian Studies*, 42/3 (1983), 477–96; Ruth McVey, 'The Beamtenstaat in Indonesia', in Benedict Richard O'Gorman Anderson and Audrey Kahin (eds), *Interpreting Indonesian Politics: Thirteen Contributions to the Debate* (1982), 84–91.

27 See, for instance, Benjamin Howard Higgins and Jean Higgins, *Indonesia: The Crisis of the Millstones* (Princeton: Van Nostrand, 1963), 10.

28 Harry J. Benda, 'Democracy in Indonesia. Review Article', *The Journal of Asian Studies*, 23/3 (May 1964), 449–56.

29 Arthur T. Denzau and Douglass C. North, 'Shared Mental Models: Ideologies and Institutions', *Kyklos*, 47/1 (1994), 3–31.

managers certainly does not automatically result in increased efficiency. What being a manager does, however, is to inculcate a certain sense of how the world works into the individual and give them a sense of their position in that world.[30] It brings forth a certain clarity of purpose and shapes the actions taken in the interest of the future. This idea was cemented in place by the reigning Zeitgeist of the period. Planning was certainly going to make the world a better place: state control would ensure the allocation of resources and manpower in a socially optimal way, and in a much better way than the market could achieve.

Discussing the ideology of managers is a central component of the book. The discussion looks into the relationship between scientific management and its suspicion of the inefficiency of the rule of law, party-based democracy, the separation of powers (*trias politica*), and the sanctity of property, all of which, amongst others, are meant to ensure individual freedom. In his seminal 1942 book titled *The Managerial Revolution*, James Burnham expounded the dangers of the managerial state, pointing out its anti-liberal and anti-democratic values. Burnham argued in the 1940s that both the Soviet Union and Germany were, in effect, managerial states and that America's New Deal welfare state represented 'primitive managerialism'.[31] Although Burnham wrote his book during the Second World War and prior to the collapse of Western colonialism, it was prescient in that the post-war world would continue on this path of state-led control of society. In the West, the rise of this managerial class was received by a public that was conscious of its dangers in a society that was, to a large extent, supportive of liberal values. This was not the case in Indonesia in the late fifties and early sixties. On the contrary, a large segment of the nationalist politicians, most prominently Sukarno, deeply resented liberalism and considered individualism to be a Western construct that endangered Eastern societies and values. Instead, they advocated corporatism and communalism, self-reliance and traditional village values as the core ideology of the Indonesian state. In this regard, scientific management contained no values that were contradictory to those supported by the political elite of Indonesia at the time. Thus, the modernization of Indonesian society often took the form of re-traditionalization.

30 For more on scientific management and its ideological nature, see Judith A. Merkle, *Management and Ideology: The Legacy of the International Scientific Management Movement* (Berkeley: University of California Press, 1980).

31 James Burnham, 'The Managerial Revolution: What is Happening in the World' (New York: John Daym, 1941), 74.

The managers were not oligarchs, as Winters has used the term; that is, the situation was not one of 'massive wealth in the hands of a small minority creat[ing] significant power advantages in the political realm'.[32] They were elites as a result of their institutionalized relationship with the state and the international aid structure that produced them. In this sense, the managers and the managerial state could not have come into existence without the specific historical context of the post-war period. Their main power lay in the absence of alternative, educated individuals to fill state positions. The success of European social democracy as a compromise between socialism and capitalism was something that was difficult to replicate. The educated Indonesian–Chinese middle class was prohibited from holding state positions, especially during the New Order period. Nor did they organize themselves in a coherent way so as to exert influence on the direction of development for a specific, imagined future Indonesian society. This absence of a capitalist class with a strong political pull resulted in the monopolization of power by the managerial bureaucracy, creating what Karl T. Jackson termed a bureaucratic polity, that is, 'a political system in which power and participation in national decisions are limited almost entirely to the employees of the state'.[33] This bureaucratically controlled society allowed the formation of what would then be called the developmental state. Atul Kohli pointed out that 'the creation of effective states within the developing world has generally preceded the emergence of industrializing economies'.[34] The Guided Democracy provided the blueprint for an eventually effective state.

2 Position in the Academic Literature

This book is situated in the discussion surrounding the rise of modernization theory during the Cold War and that of the rise of the New Order state itself.

32 Jeffrey A. Winters, *Oligarchy* (Cambridge: Cambridge University Press, 2011), 5.

33 Karl Jackson, 'Bureaucratic Polity: A Theoretical Framework for the Analysis of Power and Communications in Indonesia', in Karl Jackson and Lucian Pye (eds), *Political Power and Communications in Indonesia* (Berkeley: University of California Press, 1980), 3.

34 The image of the New Order as a corporate/technocratic state or bureaucratic polity conflicts with the view of those who see its powers as highly intertwined with the image of the patron–client. For more on the variety of ways specialists view the New Order state, see Donald K. Emmerson, 'Understanding the New Order. Bureaucratic Pluralism in Indonesia', *Asian Survey*, 23/11 (November 1983), 1220–41; and Atul Kohli, *State-Directed Development, Political Power and Industrialization in the Global Periphery* (Cambridge: Cambridge University Press, 2004), 2.

The historical discussion of modernization theory placed the development of this ideologically based social science within the context of mid century American imperialism. According to historian Nils Gilman, the change in policy during the Kennedy administration pushed social scientists to become 'mandarins of modernity'.[35] These social scientists were promoters of American modernization theory, which, in many respects, had as one of its main aims the legitimization of the ending of democracy and the creation of military-dominated states in many of America's Cold War client states. Modernization theory assumed a staged developmental plan developed by W. W. Rostow,[36] in which a military leadership would provide guidance along the lines of Huntington's idea of the Praetorian state.[37] Within Indonesian history, this discussion is grouped around work by Richard Robison that takes a dependency approach to the New Order state, and includes the writings of David Ransom and Peter Dale Scott, leftist writers who 'exposed' the Berkeley Mafia and their complicity with the communist extermination of 1965/1966.[38] The dependency approach sees the New Order and their managerial elites as American agents who were subverting Indonesia in the context of American imperialism. Within Indonesia, this is best exemplified by the writings of the exiled Sukarnoist Ernst Utrecht who, along with Malcolm Caldwell, wrote a history of the New Order that characterized it as an instance of neocolonialism.[39]

The relationship between aid and American modernization theory has been discussed by a variety of scholars, including Michael Latham and John Lewis Gaddis in their book *Modernization as Ideology: American Social Science and 'Nation Building' in the Kennedy Era*, which looks at how social science affected America's foreign policy, especially in relation to the Third World.[40] This idea was further explored in Latham's edited volume titled *The Right Kind of Revolution: Modernization, Development and US Foreign Policy from the Cold*

35 Gilman, *Mandarins of the Future*; David C. Engerman et al. (eds), *Staging Growth: Modernization, Development, and the Global Cold War* (Amherst: University of Massachusetts Press, 2003).

36 Walt Whitman Rostow, *The Process of Economic Growth* (New York: WW Norton, 1952).

37 Samuel P. Huntington, *Political Order in Changing Societies* (Yale University Press, 2006).

38 Richard Robison, *Power and Economy in Suharto's Indonesia* (Manila: Journal of Contemporary Asia Publishers, 1990); Richard Robison, 'Culture, Politics, and Economy in the Political History of the New Order', *Indonesia*, 31 (1981), 1–29; David Ransom, 'Ford Country: Building an Elite for Indonesia', in Steve Weissman (ed.), *The Trojan Horse: A Radical Look at Foreign Aid* (Palo Alto, CA: Ramparts Press, 1975), 96; David Ransom, 'The Berkeley Mafia and the Indonesian Massacre', *Ramparts*, 9/4 (1970), 27–49.

39 Malcolm Caldwell and Ernst Utrecht, *Indonesia: An Alternative History* (Sydney: Alternative Publishing Co-operative, 1979).

40 Latham and Gaddis, *Modernization as Ideology*.

War to the Present, which used various case studies from during and after the Cold War to show how modernization theory was put to use in the US imperial effort to recreate national societies during the period.[41] Specific case studies of modernization theory include Larry Grubbs's *Secular Missionary: Americans and African Development in the 1960s*[42] and Joao Feres's *The Concept of Latin America in the United States: Misrecognition and Social Scientific Discourse*,[43] amongst many others. Bradley Simpson's *Economists with Guns* examines the relationship between authoritarian developmentalism and American economic aid in Indonesia.[44] Many of these books on American modernization theory tend to place too significant an emphasis on the role of the American State Department and its social scientists, as the discussions within them often focus on American history. While this book considers American engagement with Indonesia as crucial, I still place the role of Indonesian politicians and managers at the centre of the story. This is because, despite the strong influence of US social scientists and State Department bureaucrats, these American individuals never led the process and were mostly in the position of reacting to conditions on the ground.

Amongst political scientists there have been long discussions on the nature of the New Order state. Richard Robison has classified the various theoretical approaches used to deal with the New Order into three groups: the political-order approach, the economic- technocracy approach, and the dependency approach. We could perhaps add another one to the group, of which he is a part: the patronage/oligarchy approach. The political-order approach is basically part of the modernization theory discussed above. In Indonesia's case this was brought forth by the writings of Donald Emerson, Karl Jackson, and William Liddle.[45] It draws upon Talcott Parson's structural-functional analysis, which saw all parts of society as having functional relationships with the rest. The main problem it addresses is the contradiction between modern political

41 Michael E. Latham, *The Right Kind of Revolution: Modernization, Development, and US Foreign Policy from the Cold War to the Present* (Ithaca, Cornell University Press, 2010).

42 Larry Grubbs, *Secular Missionaries: Americans and African Development in the 1960s* (Amherst: University of Massachusetts Press, 2009).

43 Joao Feres, *The Concept of Latin America in the United States: Misrecognition and Social Scientific Discourse* (New York: Nova Science Publishers, 2010).

44 Bradley R. Simpson, *Economists with Guns: Authoritarian Development and US–Indonesian Relations, 1960–1968* (Stanford: Stanford University Press, 2008).

45 See, for instance, Donald K. Emmerson, *Indonesia's Elite: Political Culture and Cultural Politics* (Ithaca: Cornell University Press, 1976); Jackson, 'Bureaucratic Polity', 3–22; Liddle, R. William. 'Soeharto's Indonesia: Personal Rule and Political Institutions', *Pacific Affairs*, 58/1 (1985), 68–90.

structures and traditional political cultures; that is, how to create modern states when they are burdened by traditional culture. In my view, there is no major contradiction here. Javanese feudalism's inherent collectivism meshed well with modern corporatist and developmental political structures. The dependency approach has also been discussed above and looks at the development of the New Order state as part of a neocolonialism in which Indonesia maintained its prone position as a provider of natural resources.[46] Within this approach, the New Order elite were merely the compradors of vested global interests in the form of foreign governments and foreign multinational corporations. This structural integration would forever doom the Indonesian nation to peripheral servitude of Western-based global capitalism. This position became less convincing during the late 1980s and the 1990s, when the significant growth in manufacturing caused a structural transformation of the Indonesian economy that resulted in an economic 'take-off', seemingly allowing Indonesia to join the capitalist core economies, before collapsing in the 1998 Asian Financial Crisis which ended the New Order regime.

The third group uses a technocratic approach. This approach assumes 'state policy can be conceived and implemented by technocrats on the basis of criteria provided by objective and scientific theories of economics, transcendental to and autonomous of social and political conflict'.[47] These include many of the developmental-state scholars who view technocratic development as an apolitical process. Economists have tended to praise the developmental state, despite being fully aware of the lack of rights accorded by the state.[48] Peter Evans's strategy of embedded autonomy points to the importance of a politically protected technocracy and its relationship with industrialization.[49] Atuh Kohli has pointed out the importance of building a strong state as a precondition for the creation of a developmental state.[50] Linda Low acknowledged the lack of political rights accorded by the state, yet Low's technocratic approach assumes an empirical position in which moral value judgement was not part of the consideration. The third group's comparative approach was meant to pinpoint the specific institutional, ideological, and structural peculiarities that

46 See, for instance, Ernst Utrecht, *Indonesië's nieuwe orde: Ontbinding en neokolonisatie* (Amsterdam: Van Gennep, 1970) and Arief Sritua and Adi Sasono, *Indonesia, Dependency and Underdevelopment* (Jakarta: META, 1981).

47 Richard Robison, *Power and Economy*, 34.

48 Linda Low, 'Introduction and Overview', in Linda Low (ed.), *Developmental States. Relevancy, Redundancy or Reconfiguration?* (New York: Nova, 2004), 10–11.

49 Peter B. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton University Press, 1995).

50 Atul Kohli, *State-Directed Development*.

allowed certain countries, such as South Korea, to succeed in becoming advanced economies.

The last group has flourished recently, in conjunction with the rise of the idea of the oligarchy. This represents a new approach that looks at the state not as a unified entity, but as a collection of groups functioning along patronage lines. Thus, state policy is the product not of some rational technocratic decision-making process but of intense competition between differing patronage groups. While this condition is much easier to discern during the post-New Order period, what people like Robison, Vedi Hadiz, Christopher Chua, and Jeffrey Winters argue is that group competition within the New Order oligarchy was always present.[51] The development of the New Order state was based on the relationship between patronage groups within the state bureaucracy and with both multinational corporations and local capitalist groups. The fall of the New Order was thus not the result of a civil society movement against the state, but of a fracturing of the oligarchic order that resulted in the abandonment of Suharto by many of the oligarchs surrounding his power base. In such a context, the institutionalist approach taken by the World Bank to push forth good governance will not result in any changes because the problems have always been political in nature.

In the context of the political science discussion of the nature of the New Order state, the book situates itself with less certainty. This is not a social science book; rather it is a historical work. In theoretical matters, I have not placed much emphasis on discussion of the New Order state, but there are several points to make in conjunction with this. The first is that the belief in modernization theory appeared before the rise of the so-called oligarchy. When Sukarno fell, many of the business people closely identified with his palace, including Markam, Karkam, and Jusuf Muda Dalam, not only lost their wealth but also their personal freedom. Thus, they did not represent an oligarchic force independent of the state but were merely clients of Sukarno. While this may have changed during the interim developmental years of the New Order, during the rise of the Guided Democracy there was effectively no real oligarchy. Robison has further argued that Indonesian capitalism was forged as a result of state-building and thus was beholden to state interests. Second, the introduction of new ideologies and institutions during this period had an effect

51 Yuki Fukuoka, 'Oligarchy and Democracy in Post-Suharto Indonesia', *Political Studies Review*, 11/1 (2013), 52–64; Richard Robison and Vedi Hadiz, *Reorganising Power in Indonesia: The Politics of Oligarchy in an Age of Markets* (London: Routledge, 2004); Jeffrey A. Winters, 'Oligarchy and Democracy in Indonesia', *Indonesia* 96 (2013), 11–33; Christian Chua, *Chinese Big Business in Indonesia: The State of Capital* (London: Routledge, 2008).

on the path dependency of Indonesia's state formation and, alongside that, the formation of Indonesia's capitalist class. This conjunction between the colonial state and the developmental state represented an important change that determined Indonesian state–society relations for a long time to come. I argue that the ideological position that was forged during this period had an effect on the structural changes and determined a path-dependent bias that still reverberates today.

3 Division of the Book

The book consists of seven chapters and is divided into three parts. Chapters 1 and 2 will deal with elite ideology and formation. The first chapter discusses the fragility of the new, managerial elite, 'the experts' as they were called by nationalists. I look into the rationale for the dislike shown by Sukarno and some of his close nationalist entourage towards the experts as an upstart generation. I argue that it was a generational problem; in a sense, the mental framework of each elite group's thought process was the product of, to use the Marxist term, the relations of production: a colonial, empire-dominated and a post-colonial, American-dominated environment. The second chapter discusses the rise of the military elite as the result of two general developments: the experience of the revolutionary war that bifurcated the military into a similar division of nationalists/solidarity makers and experts/administrators; and the expansion of American education and the introduction of counter-insurgency strategies under both the Kennedy Administration and Sukarno's increasingly belligerent Konfrontasi policy. This then divided the military elite into territorial/managerial and counter-insurgency/strike groups. These two chapters will hopefully help us to understand the rising elite of the period and their stance on the relationship between state and society

The second part of the thesis focuses on the development of institutions and the importation of ideas and ideologies during the 1950s, when Indonesia was nominally a 'liberal' democracy. Chapter 3 discusses the Indonesian effort to produce experts through the expansion of higher education, sending Indonesians abroad to study, and the importation of technical advisers. This resulted in the formation of what one expert has called a community of scholars, whose power and authority was disdained by many nationalists and communists. Many of these scholars clustered around that growing institution so typical of the 1950s: the institution of national planning. Chapter 4 discusses another significant import of the 1950s: scientific management. Its purpose is to show how scientific management has contributed to the re-evaluation of

liberal institutions in the country, in particular, the rule of law and the separation of powers, or *trias politica*, during the 1950s. The rise of the managerial experts legitimized both their authority in policymaking and the need to revamp state–society relations to enable their smooth control. These chapters show that the international developments of the 1950s were very important in understanding the rise of the Guided Democracy by the end of the decade.

The last section of the thesis covers three chapters and examines the development of both national planning and scientific management within the context of the Guided Democracy. Chapter 5 discusses the implementation of national planning, the transition from corporatist to technocratic institutional forms, and the rise of a new generation of social scientists. The recentralization of the decision-making process under the office of the president and the incorporation of the regional and departmental heads within and under a planning body were testament to the shift away from corporatist ideas towards the implementation of the idea of a strong state. Chapter 6 considers the expansion and implementation of managerial ideas and their relationship with the implementation of the control techniques that the state imposed on both civil servants and civil society. Structural and behavioural control by the state became a pre-eminent strategy of the Guided Democracy state. This was then continued by the New Order state in ways very similar to the Guided Democracy effort. Chapter 7 discusses the latter phase of the Guided Democracy (1962–1965) by looking at the way in which both the nascent technocracy and the communists argued about their ideas of state–society relations. The purpose of the chapter is to show the extent to which the defining characteristics of the difference lay not between capitalism/liberalism and communism but between a state-centred and a participative type of ideology.

It is important to demystify the hallowed classification that is used in understanding the moral positions of the actors in this particular period. Classifications such as leftist or liberal, communist or Berkeley Mafia, the United States of America or the Soviet Union/People's Republic of China, force us to make easy moral choices while interpreting the 1950s and 1960s. By re-evaluating these labels, Indonesians can re-engage with a troubled past and move beyond the generally accepted interpretation made by the state and its elites. By widening our viewpoint and seeing the ideas of the modern Indonesian nation-state through a long-range lens, we can begin to understand the limitations of looking at our history from the perspective of what Hobsbawm called the 'age of extremes'.[52] It is, perhaps, necessary for

52 Eric Hobsbawm, *Age of Extremes. The Short Twentieth Century, 1914–1991* (London: Abacus, 1995).

the Indonesian intellectual to start to deal in an honest and engaging manner with the liberal tradition, or the lack of it. In the present liberal age, it is time we shed our petrified twentieth-century perspectives and look anew at our recent past.

CHAPTER 1

The Indonesian Elite and Its Authority

Abstract

This chapter looks at the shifting ideology and elite production in Indonesia as a result of decolonization. Changing elite identity markers from traditional feudal towards modern education and expertise represented changes in relations between elites and the new postcolonial state. The problem of endowing authority towards the new educated elites was perennial in the history of Indonesian state-society relations and the Guided Democracy period represented a transitional phase in the ideological underpinnings of this authority. The new educated elite had to wait for the creation of an ideological scaffolding that would protect them within a cocoon of authority. This authority had been challenged by the older Republican political elites headed by President Sukarno because they saw the new upstart generation as undermining the elite position of the old political class. The formation of a foundational ideology for the Indonesian state had been a product of compromise and strategies of the old elite to ensconce the new educated managerial class within a state ideology that placed at the center the old political class. This structure would remain after the replacement of that political class with an army elite during the New Order.

Keywords

Indonesian elite – political class – managerial class – 1945 generation – elite authority

Throughout the 1950s, efforts by both the government and the military to root out corruption put some of Indonesia's most prominent financial and economic policymakers behind bars. In a large round-up of corruption suspects carried out by the military in 1957 many prominent policymakers, including Bank of Indonesia's first governor, Jusuf Wibisono, and economists such as Sjafruddin Prawiranegara, Ong Eng Die, and Sumitro Djojohadikusumo, were implicated.[1] Throughout the nation's history, the position of policymakers has been precarious. Only during the New Order did the offices of those in charge

1 *Keng Po*, 28 March 1957.

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of determining Indonesia's policy direction become relatively safe from scrutiny. A strong state was what was needed to create this 'safe space', something that was achieved by both the colonial and the New Order regimes.

How to ensure bureaucratic authority in an open and politically active society was the big question of the 1950s. The *priyayi* class formed the Javanese bureaucracy, and its claim to rule was based on traditional notions of authority and the support of the Dutch colonial state.[2] However, the roots of its authority were deteriorating by the 1950s. The anti-feudal rhetoric of the nationalists attacked core *priyayi* privileges, while their support from the general populace weakened. The miracle, perhaps, was how they managed to survive relatively well as a group into the 1950s and 1960s. In an analysis of the country's elite in the early New Order period, Donald Emmerson showed that the fundamental classification of the Indonesian elite remained the same until the early 1970s, with *abangan*[3] in control of the bureaucracy and *santri*[4] in control of Parliament, and both *aliran* having an equal share of control of the military.[5]

As a social group, the *priyayi* had institutional assistance in overcoming the difficulties of transitioning to a modern Indonesian state. They had two main strengths. First, they monopolized the local administrations. Nationalists, most of whom hailed from a *priyayi* background, did not inherit or develop a bureaucracy to counter the official bureaucracy of the colonial state. Suggestions of destroying the *priyayi* bureaucracy early on in the independence year of 1945 came to naught, as most of the state leaders, including Sukarno, Mohammad Hatta, and Sjahrir, understood that they were dependent on the Pangreh/Pamong Praja (indigenous bureaucracy).[6]

Second, their access to state power allowed them access to education.[7] Their near-monopoly on higher education meant that they could equip

2 Heather Sutherland, *The Making of a Bureaucratic Elite. The Colonial Transformation of the Javanese Priyayi* (Singapore: Heinemann, 1979), 144–51.

3 Javanese Muslims who practise a syncretic form of Islam.

4 Javanese Muslims who practise an orthodox form of Islam.

5 The military elite, though, was by the early 1960s overwhelmingly Javanese (60–80% of the officers). Harold Crouch, *The Army and Politics in Indonesia* (Ithaca: Cornell University Press, 1987), 37. These figures changed from the 1960s onwards as access to education expanded. See Theodore M. Smith and Harold F. Carpenter, 'Indonesian Students and Their Career Aspirations', *Asian Survey*, 14/9 (September 1974), 807–26.

6 Sukarno very much supported the Pangreh Praja and extolled their virtues in many of his speeches to the corps during the revolution. The republican elite gave priority to the Pangreh Praja for the top echelon posts during early independence, for instance. Anthony Reid, *Indonesian National Revolution, 1945–1950* (Hawthorn: Longman, 1974), 32.

7 Thomas R. Murray, *A Chronicle of Indonesian Higher Education, the First Half Century, 1920–1970* (Singapore: Chopmen, 1973), 90.

themselves to meet the needs of the modern state. Even more importantly, they were able to obtain the power needed to determine state–society relations through the new authority that they acquired from education: the authority of experts. The modernization theory model based on the authority of experts, crafted by development economics, sociology, scientific management, and public administration specialists, was a model of modernity that the *priyayi* found inherently attractive. The most important aspect of the model was the monopolistic position of the managers as a special group of educated supermen.

Yet it would be a mistake to think that a mere diploma was enough to confer the magic of authority on these newly graduated students. Java's pre-colonial bureaucracy employed gangs of *jago* (strongmen) and hoodlums as tools of societal control. As Heather Sutherland has remarked, in pre-colonial times, 'under Mataram [rule] terror and torture had been essential instruments of control; under the Dutch, in theory, there was the rule of law. In practice, many *priyayi* had recourse to intimidation and bribery.'[8] Discussions of the criminality of the state and the role of strongmen and gangsters (*preman*) as clients or extensions of the state illustrate the inherent flaw in abstracting the state as a specific set of bounded institutions with specific authorities. In fact, the state extended beyond its legal boundaries.[9] This dichotomy of the official, legal, professional, and modern against the other side – the unofficial, illegal, unprofessional, and traditional – continued in the post-colonial state. The Pangreh Praja, the indigenous bureaucracy that originated from Java but was assigned to positions throughout the archipelago, arose from a pre-colonial bureaucracy whose claim to authority was based on military power.[10] Its accession to being part of the state was based on a prior demonstration of real military power. Robert Cribb showed that this notion of violence as conferring legitimate

8 Sutherland, *The Making of a Bureaucratic Elite*, 26.

9 The *jago* and *preman* element as part of the state-extension in society is discussed in all periods of Indonesian history. See, for instance, Schulte Nordholt and Sutherland for the colonial period, Barker for the New Order, and Lindsey for the post-New Order period. Henk Schulte Nordholt, 'The Jago in the Shadow: Crime and Order in the Colonial State', *Review of Indonesian and Malaysian Affairs*, 25/1 (Winter 1991), 74–91; Joshua Barker, 'State of Fear: Controlling the Criminal Contagion in Suharto's New Order', *Indonesia*, 66 (October 1998), 6–43; Tim Lindsey, 'The Criminal State: Premanisme and the New Indonesia', in Grayson Lloyd and Shannon L. Smith (eds), *Indonesia Today. Challenges of History* (Singapore: Institute of Southeast Asian Studies, 2001), 283–97.

10 Henk Schulte Nordholt, 'A Genealogy of Violence', in Freek Colombijn and Thomas Lindblad (eds), *Roots of Violence in Indonesia: Contemporary Violence in Historical Perspective* (Leiden: KITLV Press, 2002), 33–61.

authority was what caused many of the members of Jakarta's underworld to fight in the revolution.[11]

Although the Dutch prided themselves on their ability to enforce the rule of law in the archipelago, there continued to be something of a modus vivendi between the *priyayi* bureaucrats and the criminal elements/local bullies who kept order in rural society. The local bureaucracy had to have protection from above and collaboration from local strongmen. These two long arms of the bureaucracy would increasingly be provided by the military, as both the overseer of the state and its enforcer on the ground.

The history of the modern Indonesian state is thus a history of its bureaucracy and, by extension, the nation's *priyayi* elite. As Professor James Mackie contends, Indonesia's elite and growing middle class were 'essentially bureaucratic elites or, as in the Sukarno era, a party-political elite. To the extent that an Indonesian middle class has been emerging over the last three decades, it is primarily a salaried and professional middle class, not an entrepreneurial or propertied [one].'[12] This is, of course, a simplification of the reality. First, although the majority of Indonesian bureaucrats were Javanese, there were large numbers of non-Javanese who became important members of the elite; this was particularly true for the military.[13] Many of the economists that were to play an important part during the New Order, such as Emil Salim and Frans Seda, were not Javanese.[14] Second, the *priyayi* class itself, as a result of education, was undergoing significant changes.

Franklin Weinstein divided Indonesia's twentieth-century elite into three groups based on their respective generations: 1928, 1945, and 1966. The 1928 generation had enjoyed a good colonial education and furthered their studies at Dutch universities. Their world view was highly influenced by the works of Karl Marx and other European social theorists, and although initially they had a positive view of the United States, the 'betrayal' of America during the revolutionary struggle made them wary of the US.[15]

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11 Robert Cribb, *Gangsters and Revolutionaries. The Jakarta People's Militia and the Indonesian Revolution, 1945–1949* (North Sydney: Allen Unwin, 1991), 89–99.

12 J. A. C. Mackie, *Property and Power in New Order Indonesia* (n.p.: n.n., 1983), 1.

13 Ann Gregory has noted, though, that the number of Javanese occupying important government positions increased during Guided Democracy and the New Order. Ann Gregory, 'Recruitment and Factional Patterns of the Indonesian Political Elite: Guided Democracy and the New Order', PhD dissertation, Columbia University, New York, 1976, 108.

14 Many of the technocrats were also non-Muslim, including the Catholic Frans Seda and J. B. Sumarlin and the Protestant Radius Prawiro, among others. Hamish McDonald, *Suharto's Indonesia* (Honolulu: University Press of Hawaii, 1981), 76.

15 Franklin Weinstein, *Indonesian Foreign Policy and the Dilemma of Dependence* (Ithaca: Cornell University Press, 1976), 42–65.

The second group was the 1945 generation. The majority of this generation joined student or youth militias set up and led by the Japanese during the Second World War. Some of the Japanese propaganda determined their world view after the war. Unlike the 1928 generation, the 1945 generation did not receive a full colonial education. The government's reduction of the education budget in the 1930s, owing to the Depression and the increasing availability of 'nationalist' schools that competed with Dutch education in the colony, affected their outlook.[16] Aside from becoming soldiers and participating in the war, many youngsters also had the chance to become low- and mid-level civil servants before going off to universities in Indonesia, with some continuing with postgraduate study in the United States. Although less Marxist in their outlook in comparison to many of the nationalists of the 1928 generation, they were generally open to the ideas of the left. Their involvement in the Indonesian state as administrators or army officers and their formative educations abroad were important factors that meant that they had a different view of state–society relations to the earlier generation, which had had little opportunity to work in managerial government services, had received an almost exclusively Dutch education, and were Dutch-speaking.[17]

The 1966 generation was the one that grew up during the Guided Democracy and cheered at the ending of Sukarno's regime and the rise of the New Order.[18] This generation was generally deeply anti-Marxist, if not apolitical, but for our purpose will not be referred to further because of its limited relevance to the discussion.

The shift from the democracy of the 1950s to Guided Democracy and the New Order can be seen in terms of the shift from the 1928 generation to the 1945 generation. The gradual control of the bureaucracy and state by the 1945 generation occurred under the aegis of the 1928 generation. The Guided Democracy was a period of transition and many in the 1928 generation saw their powers being eroded. The younger members of the generation, just graduating from American universities, were able to obtain government positions but saw their influence as highly limited to middle management or academic positions.

16 A process of politicizing the teachers in government-owned Indonesian schools also occurred during the period, signifying the increased attention being paid to participatory pedagogy, which Agus Suwignyo has termed 'public intellectuality'. This process appeared again as part of the participatory discourse of Indonesian nationalism, which will be discussed further in the next chapters. Agus Suwignyo, 'The Breach in the Dike: Regime Change and the Standardization of Public Primary-School Teacher Training in Indonesia, 1893–1969', Dissertation, Rijksuniversiteit Leiden, Leiden, 2013, 152–207.

17 Weinstein, *Indonesian Foreign Policy*, 42–65.

18 Weinstein, *Indonesian Foreign Policy*, 42–65.

Yet, the Guided Democracy was anything but under the full control of the 1928 generation. Many of its influential policymakers espoused ideas that were a reaction against the upstart 1945 generation. In an age where the iconic image of the white-collar office leader or plant manager was a man employing mathematically inclined science and social science,[19] even in such an underdeveloped society as 1950s' Indonesia, the old elite was educationally inadequate. In the face of the new perspectives on efficiency and its associated managerial tools, the old elite came from another time. They came from a period when leadership was earned through revolutionary capabilities, and where history and literature, rather than the graphs of economists, the analyses of psychologists, and the theories of sociologists guided the workings of human society and the paths of nations; a period in which understanding how the state worked and how government functioned meant studying the law, instead of time-motion or other Taylorist tools.

Ann Gregory wrote:

> There is no continuity between the Guided Democracy non-party elite segment and the technocrats of the New Order. The very nature of the two segments differs. The technocratic segment contains a high number of professionals for whom politics is a secondary career begun after success was achieved in their primary occupation, whereas for most of the Guided Democracy non-party elite politics was their primary career.[20]

This difference, as we will see, resulted in a deep distrust of the new generation of expert social scientists. According to MacDougal, 'their emergence in policy making roles represents a fundamental shift in the nature of the ruling elite'.[21] It was this inherent tension between what Roeslan Abdulgani termed the 'professionals' and 'unprofessionals', Herbert Feith called the 'administrators' and 'solidarity-makers',[22] Pye called the 'administrators' and 'politicians' in Burma,[23] and Franz Schurmann called the 'experts' and 'reds' in China,[24] or

19 C. Wright Mills, *White Collar. The American Middle Class* (New York: Galaxy, 1956), 142–60.
20 Gregory, 'Recruitment and Factional Patterns', 349.
21 John James MacDougall, 'Technocrats as Modernizers. The Economists of Indonesia's New Order', PhD dissertation, University of Michigan, Ann Arbor, 1975, 15.
22 Feith, *The Decline of Constitutional Democracy*, 24–6 and 113–22.
23 Lucian W. Pye, *Politics, Personality and Nation-Building: Burma's Search for Identity* (New Haven: Yale University Press, 1962), 97–109.
24 Franz Schurmann, *Ideology and Organization in Communist China* (Berkeley: University of California Press, 1968), 163–7.

indeed amongst Indonesians themselves that worried the authorities.[25] The bureaucracy's authority was made possible due to an international protocol that was determined by educational and ideological status. To understand the Indonesian state and society without considering this important international dimension would omit a basic component in determining the reasons why a certain group of people, who were American-trained, came to dominate policymaking in what was essentially a military dictatorship.

1 Tensions in the Guided Democracy: The 1928 Generation and Their Ideology

Roeslan Abdulgani said that 'we are therefore faced with the peculiar situation where economists, stern anti-communists all, present us with a plan which politicians believe impossible without economic and social coercion along communist lines'.[26] What those of the older generation feared from economists and other social scientists was what they considered the inherently authoritarian nature of their ideology. The premise of both communism and Western social science was an authoritarian state wherein people of intelligence and good faith were excluded from participation and authority. This dislike was obviously shared by Sukarno. In his address at the Bandung Non-Alignment Summit (Konferensi Asia–Afrika, KAA), he expounded: 'I beg of you, do not think of colonialism only in the classic form which we of Indonesia, and our brothers in different parts of Asia and Africa, knew. Colonialism has also its modern dress, in the form of economic control, intellectual control, actual physical control by a small but alien community within a nation.'[27] The fear of authoritarianism seemed to be a peculiar irony, considering the fact that

25 For instance, in the discussion on the creation of expert manpower and the university system in the 1960s, which emphasized the creation of both 'reds' and expert cadres. See Bachtiar Rifai, *Perkembangan Perguruan Tinggi selama 20 Tahun Indonesia Merdeka* (Jakarta: Departemen Perguruan Tinggi dan Ilmu Pengetahuan, 1965), 26.

26 Roeslan Abdulgani, *Beberapa Soal Demokrasi dan Ekonomi. Buah Karangan Roeslan Abdulgani dalam 'The Far Eastern Survey' dan 'United Asia'* (Jakarta: Dewan Nasional, 1958), 33. Of course, Abdulgani was a politician first and a thinker second. He was to survive the transition to the New Order and become part of the new regime, one that was to be dominated by those professional, textbook thinkers he had once derided. Whatever his belief, his position as a spokesperson of the Guided Democracy state gave credence to his announcement, if not purely of his own devising, then as a perfectly capable filter from which the state produced its discourse.

27 Quoted in Simpson, *Economists with Guns*, 18.

Guided Democracy itself limited the participation of parties and organizations it deemed dangerous, the most significant of which were Sjahrir's Indonesian Socialist Party (Partai Sosialis Indonesia, PSI) and the *santri*-based Masyumi Party. Both the PSI and Masyumi were banned in 1960.

Yet, the attack on these parties was also explicitly an attack on the nascent technocracy, whose 'liberal' credentials had been built up through its control of the liaison institutions that connected the pools of financial aid and the educational opportunities of the international community with its Indonesian protégé. These institutions were often managed by the PSI, whose members and sympathizers became prominent authorities in important bodies such as the National Planning Body (Badan Perantjang Nasional, BPN) and the Army Staff and Command School (Sekolah Staf dan Komando Angkatan Darat, Seskoad). The formation of various Guided Democracy institutions was intended to replace these bodies, which had become dominated by 'administrators'. There was one important and major exception: the Army Staff and Command School under General Abdul Haris Nasution. Although Nasution had little sympathy for the PSI,[28] he was considered a relatively able administrator.

Sukarno needed the support of the military, yet the development of the army in the 1950s resulted in the reduced influence of PETA-based army commanders,[29] who had similar ideological views to Sukarno and who were just as suspicious of the educated 'professionals'.[30] However, the group was initially successful in ousting Nasution from power after the attempted putsch of 1952.[31] Despite this, after 1955, Nasution saw his star rise again. In fact, it was Sukarno who appointed him chief of staff of the army in 1955, thus placing Nasution at the head of a vast and growing military government that mimicked and then took over many of the administrative duties of civilian institutions within the state and the economy. Nasution thus, by the end of the 1950s, had control of both the military government and the military schools.[32] As newly graduated

28 CLM Penders and Ulf Sundhaussen, *Abdul Haris Nasution. A Political Biography* (St. Lucia: University of Queensland Press, 1985), 125–6. Sjahrir calling the headquarters of the army 'a fascist military clique headed by Nasution' further distanced him from this party.

29 PETA stands for Pembela Tanah Air (Defenders of the Homeland).

30 In an article in *Vrij Nederland*, the Dutch journalist J. Eijkelboom called Abdulgani a parrot. The parroting nature of the elites of the Guided Democracy may point to the weakness in saying that there was a whole generation of pro-Sukarnoist elements, but it is undeniable that there was a coterie of people within the elite who risked their fortunes on supporting Sukano throughout the entire Guided Democracy.

31 Penders and Sundhaussen, *Abdul Haris Nasution*, 82.

32 Splits within the army elites occurred at the regional level instead of the national level, with regional commanders opposing Nasution's rationalization policies. Crouch, *The Army and Politics*, 32.

Indonesian social scientists started to arrive from the United States in the late 1950s and early 1960s, they found a state that was suspicious of receiving them but at the same time keen to benefit from their expertise. One major institution that opened its arms to incoming social scientists was Nasution's army. His successor, General Ahmad Yani, although loyal to Sukarno, kept the doors of the military open to these recent graduates.

The tension of the Guided Democracy can be understood, albeit simplistically, as a tension between Sukarno and Nasution, each representing an ideology produced from totally different eras. Nasution was born on 3 December 1918, seventeen years after Sukarno (6 June 1901). They came from different generations, maturing intellectually in different periods and under different social conditions. While Sukarno was a typical 1928-generation member, forming his ideas on state–society relations during the colonial period, Nasution's formative period was during the revolutionary struggle. The revolution was a formative period that forged the 1945 generation. For instance, many of the people in the 'Berkeley Mafia', the notorious name coined for Suharto's cabal of technocrats, had been soldiers during the revolution.[33]

2 Sukarno

Sukarno was born in Surabaya in the year 1901. Unlike many of his fellow nationalists, he had never gone to Europe. He did, however, consume a large number of books written by European social theorists, from Marx to Weber. His father was Javanese and his mother Balinese, and despite his depiction of poverty in his autobiography, his family was wealthy enough as minor members

33 For instance, Suhadi Mangkusuwondo joined the Student Army of the Republic of Indonesia (Tentara Republik Indonesia Pelajar, TRIP) militia in Malang, Emil Salim was active in the student army in Palembang, and Subroto joined in the fight with the PETA army. Those who had not been active in fighting during the revolution, amongst them Mohammad Sadli and Sarbini Sumawinata, were slightly older and thus were more intellectually active. See Suhadi Mangkusuwondo, 'Recollections of My Career', *Bulletin of Indonesian Economic Studies*, 31/1 (April 1996), 34–5; Subroto, 'Recollections of My Career', *Bulletin of Indonesian Economic Studies*, 34/2 (August 1998), 68–70; Emil Salim, 'Recollections of My Career', *Bulletin of Indonesian Economic Studies*, 33/1 (April 1997), 47; Mohammad Sadli, 'Recollections of My Career', *Bulletin of Indonesian Economic Studies*, 39/1 (April 1993), 36; and Sarbini Sumawinata, 'Recollections of My Career', *Bulletin of Indonesian Economic Studies*, 28/2 (August 1992), 34–5. Lastly, the doyen of the Berkeley Mafia, Widjojo Nitisastro, also took part in the revolutionary war for independence. Peter McCawley and Thee Kian Wie, 'In Memoriam: Widjojo Nitisastro, 1927–2012', *Bulletin of Indonesian Economic Studies*, 48/2 (2012), 275.

of the *priyayi*.[34] His father, being a theosophist, was deeply into the Javanese religion. Sukarno himself grew up within a Javanese milieu and would forever remain enthralled by the history and culture of Java.[35] Although a follower of the Javanese religion, Sukarno was happy enough to venture into explorations of Islam during his period of banishments in the 1930s.[36]

A peculiar and enduring theme of Sukarno's belief was corporatism, the possibility of reconciling the fragmented divisions of Indonesia's *aliran* into one imposing unity. In a 1926 article, Sukarno expounded his Nasakom[37] vision, which reasoned away the differences by stressing the commonalities of the major strands of Indonesia's radical political movements: radical nationalist, Islamic revivalist, and communist.[38] The most significant commonality was their anti-capitalist, anti-imperialist, and anti-liberal drives, and their calls for Indonesian independence.[39] Sukarno was unusual in that the ideas he espoused never fundamentally changed throughout his life. Imprisonment and banishment had left him distrustful of both the state and its institutions, particularly the courts. Like many of his fellow nationalists, he was enthralled by the ideas of Marxists, who subscribed to the anti-colonial cause. Reading the works of Karl Kautsky, Rudolf Hilferding, Karl Renner and H. N. Brailsford, he came to equate colonialism, the state, and capitalism with each other.[40] For him, the promise of technical and material progress made by the West/capitalism was a lie. Sukarno kept pointing to people's suffering as a result of imperialism. He saw capitalism as a big pipe that drains the wealth and prosperity away from those on the negative end of the modern imperial project.[41]

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34 Leslie H. Palmier, 'Sukarno: The Nationalist', *Pacific Affairs*, 30/2 (June 1957), 101–19.

35 His Nasakom vision was influenced by Tjipto Mangoenkoesoemo's Taman Siswa philosophy. CLM Penders, *Life and Times of Sukarno* (Rutherford: Farley Dickinson University Press, 1974), 24. Mangoenkoesoemo, according to Dutch administrator Charles van der Plas, played an important role in Westernizing Sukarno. Bob Herring, *Soekarno: Founding Father of Indonesia, 1901–1945* (Leiden: KITLV Press, 2002), 132–4.

36 Lambert Giebels, *Soekarno, Nederlands onderdaan. Een biografie, 1901–1950* (Amsterdam: Bert Bakker, 1999), 214–18. Also see Sukarno, *Dibawah Bendera Revolusi*, Vol. I (Jakarta: Panitya Penerbit Dibawah Bendera Revolusi, 1964), 325–455.

37 Nasionalisme-Agama-Komunisme – Nationalism, Religion, Communism.

38 Herring, *Founding Father*, 95.

39 Penders, *Life and Times of Sukarno*, 30.

40 Sukarno, 'Swadeshi dan Massa-Aksi di Indonesia', in *Dibawah Bendera Revolusi*, 121–57. His own idea, which led to the coining of the term Marhaenism, was rooted in the Marxist ideas of Karl Kautsky and Bakunin. Giebels, *Soekarno, Nederlands onderdaan*, 80–1. Although borrowing from many Western thinkers, he did not bind himself to a single Western frame of thought. Herring, *Founding Father*, 102.

41 Sukarno, *Indonesia Menggugat* (Jakarta: Departemen Penerangan, 1961), 55.

Sukarno was suspicious of liberalism. Although the Netherlands espoused a social- democratic ideology, the liberal elements of the Dutch state were the mainstay that endured in the Netherlands throughout the inter-war period when many other European states turned to fascism or communism. The 1920s and 1930s saw many parts of Europe ending their experiments with parliamentary democracy and the rise of strongmen as the leaders of unified, racially purified nations – in the process displacing hundreds of thousands of people in Eastern Europe, and later, during the war, killing millions.[42] Although the Netherlands never fell into extremism, its imperialist policies strengthened Sukarno's disdain for liberals. Here was a liberal, democratic, and enlightened European state and yet it was also the agent of Western capitalism, draining the wealth of the people of the Indies.

Growing up in the aftermath of the First World War, Sukarno believed in the Marxist criticism of capitalism and heralded the end of the liberal order as the result of the loss of political control over the masses. Sukarno, like many of his nationalist compatriots, had a much more positive view of the United States of America prior to Indonesia's revolution. There was thus a perception that democratic states were different from authoritarian ones. Sukarno grew up being explicitly anti-fascist in this regard: 'The Indonesian soul is the soul of democracy, the soul of the common people (*kerakyatan*), while the fascist soul is anti-democratic, anti-people.'[43]

He placed the rise of fascism within the logic of capitalism as an expression of the last phase of the decline of capitalism.[44] From this Marxist viewpoint, fascism was the product of cooperation between the corporation and the petite bourgeoisie.[45] In a speech to Parliament during the Guided Democracy, he said:

> We can no longer follow the politics of liberalism [...] our revolution is a multi-complex revolution, a summing up of many revolutions in one generation, all of which generates conflicts. Without the leadership in providing planning in each of the fields and complexity of this revolution, we will achieve a complexity in chaos. We must have a planned

42 Mazower, *Dark Continent*, 1–75.

43 Sukarno, 'Indonesia versus Fasisme. Faham jang bertentangan dengan Djiwa Indonesia', in *Dibawah Bendera Revolusi*, 457.

44 Sukarno, 'Beratnja Perdjoangan melawan Fasisme. Perlunja Menarik Simpati Kaum Kleinburgertum dan Kaum Tani di Djerman', in *Dibawah Bendera Revolusi*, 549. All translations in the book is made by the author.

45 Sukarno, 'Beratnja Perdjoangan melawan Fasisme', 549.

> policy. This is the central idea of Guided Democracy. Our revolution is not a revolution for the sake of revolution, it is a highly planned, clear and certain type of revolution.[46]

In fact, the word 'Guided' itself has a somewhat similar ring to the 'expert and manager-led' state and society. It is a rearrangement of the entire society, towards the creation of a 'Socialism à la Indonesia'.[47]

The role of the state was to guide the revolution, produce elites, and recreate society in the most logical and scientific fashion possible. Replacing an atomized society, the state would eventually take over the economy. In the words of Abdulgani:

> Within the framework of Indonesian society, economic cooperation and collective action will be effective, not nineteenth-century Western individualism. In any case, the fact is that such individualism is outmoded, even in the West. It has been displaced by state enterprise and monopoly, which leave little scope for the idealized capitalism of an earlier day.[48]

Liberalism was the ideology that was imposed on Indonesia to allow for the sinister neocolonial domination of international capitalism over society. Here we see a major conundrum in the Guided Democracy revolution: despite Sukarno's sincere intention to apply his ideals of corporatism and unite the various strands of national ideologies in the country, his championing of the state as the prime agent of revolution meant, in essence, giving more authority to the bureaucrats than to anyone else. Within the National Planning Council (Dewan Perantjang Nasional, Depernas) development plan, this danger was acknowledged. As E. H. Carr states in his book *The Soviet Impact on the Western World*:

> If on the other hand we neglect the 'social' aspect, we shall fall into the heresy of efficiency for efficiency's sake and conclude that planning is simply the instrument of national power and national aggrandizement – the doctrine of fascism. Hitlerism took the name of national socialism. But the fact that it was not capitalist did not make it socialist: it approximated

46 Sukarno, *Handbook on the Political Manifesto*, 31.
47 Sukarno, *Handbook on the Political Manifesto*, 31.
48 Abdulgani, *Demokrasi dan Ekonomi*, 38.

> far more nearly to the conceptions of the American 'technocrats' or of Mr Burnham's 'managerial revolution' – the cult of efficiency for the sake of power.[49]

As we will see, in the initial Guided Democracy state, there was a genuine effort to involve a variety of people within the state.[50] This only lasted briefly and acted to strengthen the idea that the country needed the experts it once thought it could do without. The focus on planning or retooling, the institutional approach to revolution, and the centralization of power within bodies and experts highlights the difficulties of allowing 'society' into the 'state' while at the same time applying a planning programme that was to be meticulous, scientific, and efficient. In the words of D. H. Assegaff: 'In the practice of development, there needs to be firm leadership. Without leadership, the development would be shaky, and could even result in the failure of a well-thought-out plan.'[51]

This state-controlled idea, embodied in Keynesianism and communist industrialism, represented the *Weltanschauung* of the era. This explains why Guided Democracy was so successful in bringing together a range of widely disparate groups within the government. The application of Nasakom to Guided Democracy, which entailed giving equal roles to the three major *aliran* in the various institutions, transcended the ideological divide. It also meant that the nation-state could go either way: becoming a communist state or a military state. The real possibility of a communist takeover seemed slim, even in the middle of the 1960s. Yet, the fear of one was enough to push the army to position itself comfortably within the ever-expanding state institutions that were replacing the 'nineteenth-century individualism' of Indonesian liberalism. Many of the ideas of the army were established, or at least voiced, by its most important member, army chief of staff General Abdul Haris Nasution.

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49 Quoted in *Rantjangan Dasar Undang-undang Pembangunan Nasional Semesta-Berantjana Delapan Tahun: 1961–1969*, Buku ke I, Djilid 11: *Sosialisme Tripola Pembangunan*, 236. Carr was quoted in Dutch and Abdulgani omitted the line 'Hitlerism took the name of national socialism' to avoid any comparison between socialism à la Indonesia and fascism. E. H. Carr, *The Soviet Impact on the Western world* (London: MacMillan and co., 1946), 27.

50 This was also Lenin's policy in his attack on the bureaucracy and his wish to draw the masses into the direct management of state affairs. Carr, *The Soviet Impact*, 17–19.

51 D. H. Assegaff, 'Aspek Management dalam Pembangunan Semesta Berentjana', *Manager*, 30/3 (September 1962), 274.

3 Nasution

In many ways, Nasution was the opposite of Sukarno. Unlike Sukarno's Javanese credentials, Nasution was a Batak, a term referring to a people living in the interior of North Sumatra in the Lake Toba region. He was thus an 'Outer Islander'. Unlike Sukarno's *abangan* religious beliefs, Nasution was a devout Muslim and continued to be so throughout his life.[52] Sukarno was brash and impulsive; Nasution was reflective and pragmatic. He studied to become a teacher at the Training School for Indigenous Teachers (Hogere Inlandse Kweekschool, HIK) in Bandung in 1935. Sukarno and other nationalists influenced Nasution in the 1930s, as he was reaching intellectual maturity.[53] Nasution's essentially pragmatic character saw him deciding to join the colonial army at the outbreak of the Second World War in what he ironically considered to be a nationalist gesture.[54]

When the Netherlands capitulated to Germany in May 1940, Nasution volunteered as a cadet officer and was admitted, along with five other Indonesians, to the newly created Royal Military Academy (Koninklijke Militaire Akademie, KMA) in Bandung. Nasution specialized in infantry studies. After the fall of the Netherlands East Indies to Japan in 1942, Nasution went into hiding in various places on Java. After three months, he returned to Bandung when the Japanese released all Indonesian Royal Netherlands Indies Army (Koninklijke Nederlands-Indisch Leger, KNIL) soldiers. Knowing full well that the Japanese would ultimately be defeated, Nasution worked with a number of his KNIL colleagues, university students, and youth leaders. He did this initially by joining the paramilitary organizations created by the Japanese. Instead of joining PETA, he joined the Priangan Soldier's Aid Society (Barisan Pemuda Priangan) and was elected to the governing board. He also worked as an army instructor for the Seinendan, Keibodan, and other organizations. During the first year of the revolution, Nasution was promoted from an army instructor to commander of the Siliwangi Division (Komando Daerah Militer Siliwangi) (1946). He would then rise to commander-in-chief of the armed forces in Java (1948) and chief of staff of the army (1949–1952 and again 1955–1963).[55]

Many of his ideas concerning state–society relations were formulated during the revolutionary period, especially during the military emergency

52 Penders and Sundhaussen, *Abdul Haris Nasution*, 3.

53 A. H. Nasution, *Memenuhi Panggilan Tugas*, Jilid 1: *Kenangan Masa Muda* (Jakarta: Haji Masagung, 1990), 38–40.

54 Nasution, *Memenuhi Panggilan Tugas*, Jilid 1, 64–5.

55 Penders and Sundhaussen, *Abdul Haris Nasution*, 8–11.

of the Second Dutch Aggression (19 December 1948–5 January 1949), which, as he was chief of operational staff at the Army Headquarters (Markas Besar Tentara), resulted in the publication of his guerrilla instructions. Because of a lack of focus on the part of the political leadership, the army was not able to form a conventional ground force before the arrival of the Dutch. Nasution blamed this indecision squarely on the bickering politicians. In contrast, he resented the ability of the Dutch to create, from scratch, a functioning army within a short period of time that was able to be deployed to the Indies.

For the early part of the revolution, Nasution was busy trying to create a professional army within his West Java Siliwangi Division. The division was to become the most professional part of the army. Based in Bandung, it also contained most of the KNIL military elements that had decided to join the Indonesian revolution. There were plenty of military thinkers and strategists within the division, which enabled the sharing of ideas. Nasution's main ideas somewhat resembled those of Mao Zedong and can be summed up by Mao's statement about the military being a fish and the people being the water. A fish out of water is akin to an army without the people's support.[56] As mentioned above, the idea of a guerrilla war was put forth and executed by Nasution during his tenure as commander-in-chief of the armed forces in Java, when he also published a pamphlet on guerrilla warfare. As a military strategist, Nasution saw the implementation of 'total war' as a central component of Indonesia's current and future security strategy.

Nasution's 1948 guerilla strategy reduced the whole of state–society relations to within the dictates of a military strategy. As he phrased it: 'In this framework of total warfare, the leadership could recruit and plan a strategy of the whole people for one aim.'[57] During the 1948 aggression, Nasution created a 'guerrilla administration', in which civilian administrators, who were not keen on cooperating with the Dutch administration, left for the countryside and recreated the state. The experience reduced the legitimacy of the politicians and the assertion of their necessary presence to the functioning of the state. In Nasution's words: 'The leadership is held by civilian authorities, with the assistance of the "territorial" forces, but in its relationship to war, everything must be brought under the supervision of the military leadership.'[58]

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56 Penders and Sundhaussen, *Abdul Haris* Nasution, 47–50.

57 Abdul Haris Nasution, *Fundamentals of Guerrilla Warfare* (London: Pall Mall Press, 1965), 26.

58 Nasution, *Fundamentals of Guerrilla Warfare*, 89.

Conforming to this idea, a military administration was created to mirror the civilian one. Guerrilla warfare was based on decentralized leadership and, in essence, had to be conducted on a local basis.[59] Much of this was modelled on the German military district or *Wehrkreise* system, with the formation of seven independent military district (*Tentara & Territorium*).[60] The military district was a product of militarized states such as America and Britain during the Second World War, and the Chinese and Vietnamese variants that continued after the war. Thus, a Military Sub-District Command (Komando Onder-District Militer, KODM) was created at the *kecamatan* (or sub-district) level; a Military Region Command (Komando Distrik Militer, KDM), at the *kabupaten* (or district) level; and a Military Sub-Territorium Command (Sub-Territorium Militer, STM), at the residency (*karesidenan*) level, with a commander appointed in every province. This idea was continued during the Guided Democracy under the Tjatur Tunggal[61] system.

The assumption of territorial decentralization limited the national leadership to coordinating and directing. As Nasution explained, 'The military, political, psychological, economic and social wars are conducted on a regional basis. Complete decentralization is an essential feature of a guerrilla war.'[62] Basic schooling, with the aim of eradicating illiteracy, and mobile health clinics were envisaged as being provided by the military administration.[63] The militarization of the administration would allow a degree of decentralization within the bounds mandated by the army's vertical command structure. While decentralization offered flexibility, it was predicated on the highly reduced roles of civilian politicians and the civil administration. This 'territorialization' of command allowed the central military authority to have greater control of the regions. For Nasution, the village had proven to be the most important component in guerrilla warfare. The territorial structure started from the village level. The *lurah* (village leaders) were integrated into the lowest level of military government. It was thus also in the villages that much of the social and economic development work carried out by the guerilla administration occurred.

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59 In fact, '[t]he most salient characteristics of the army was its local character'. Gregory, 'Recruitment and Factional Patterns', 242.

60 Penders and Sundhaussen, *Abdul Haris Nasution*, 55.

61 Tjatur Tunggal literaly means rour-in-one, a regional system of government in which the executive is replaced by a four-section committee; composed of the governor, the military commander, the police head and the head of the regional parliament. The system was dominated by the army.

62 Nasution, *Fundamentals of Guerrilla Warfare*, 52.

63 Nasution, *Fundamentals of Guerrilla Warfare*, 144.

4 The Idea of Guided Democracy

Both the ideas of Sukarno and Nasution focused on the state as the provider of action. In Sukarno's case, as a leadership that guides society on to the path to revolution; in Nasution's, as an extension of the military, whose tentacles embraced the village and community. These ideas tried to solve the problem, outlined at the beginning of this chapter, of how to ensure the authority of the bureaucracy during the tumultuous years of revolution and parliamentary democracy in the 1940s and 1950s. On the one hand, revolution, as an ideological banner, inadvertently became a way to legitimize the guiding authority of the bureaucracy. As Sukarno stressed over and over again, Guided Democracy was a planned policy to enact a corporatist, national plan.

Nasution's idea of total and territorial warfare elevated the role of the military to that of an essential component of state bureaucracy. The Guided Democracy state experienced the extension of military, that is, army, involvement throughout the bureaucracy and the economy. One might cynically surmise that this was an effort to spread corruption on a grand scale. Yet, that would be to miss the more important point about state authority and control. The military presence at the village level was an affirmation of the authority of the bureaucracy-cum-military state leadership. The army's deep relationships with parts of civil society, students, criminals, labour organizations, and so forth not only competed with those of its communist counterpart during the Guided Democracy; it was also used to regulate a specific kind of state–society relationship in which society was to be fully subordinated through these civil society clienteles that were, in effect, extensions of the military.[64]

In the New Order, the army would thus provide the two things that the colonial state had provided, but which had been lost during the revolutionary and the pre-New Order period. The first was the safety of bureaucratic legitimacy and authority. The army as the purveyor of power would convey authority to the bureaucracy through its power to protect them from state and non-state civil actors, such as Parliament and political parties. It also conveyed legitimacy through the implementation of a state ideology that put these bureaucratic experts on a pedestal: the ideology of development. Today, we think of development as inherently different from Sukarno's revolution; yet, this is purely a result of the failure of Guided Democracy.

64 Loren Stuart Ryter, 'Youth, Gangs and the State in Indonesia', PhD dissertation, University of Washington, Seattle, 2002.

The second was the bureaucratic extension of control to rural areas. During the colonial era, the state used traditional authority and its local-bully clientele to provide this control.[65] In the post-colonial period, this job was taken on by the army, along with its clients, to ensure state control at the lowest levels, thus leaving the bureaucracy with the job of planning development.

Although the core leadership of the Guided Democracy displayed a lack of coherence over key issues regarding the Guided Democracy state and ideology, there was one person who succeeded in becoming Sukarno's main ideologue, a person who was capable of translating 'His Master's voice' with fidelity. This man was Roeslan Abdulgani, politician par excellence and former minister of information, who was, on several occasions, accused of corruption and who, along with Nasution, was one of only two members of Sukarno's inner circle to have made the transition to the New Order alive and well. It is difficult to gauge the sincerity of Abdulgani's words during this period. Yet, there is no doubt about his influence on Sukarno and the regime as a whole. Casper Schuuring claims that 'Roeslan had a "steering hand" in the so-called guided democracy'.[66] Sukarno entrusted him with producing important papers and information on the Guided Democracy and Economy, and it was Roeslan who was asked to confer with Professor Djokosoetono to develop a constitutional order for the new state.[67]

Perhaps one of the most enduring features of early Guided Democracy thought was the deep distrust of so-called experts. There was a particular distrust of Western economists. In the words of Abdulgani: 'I am no economist, and I have reservations about the purely professional approach of the economist. Particularly, I have reservations about the purely professional approach of the non-Indonesian economist, who, while putting his great skill and knowledge at our disposal, is still outside the stream of our life, our hopes and desires.'[68] Roeslan Abdulgani's explicit dislike of economists can be summed up in another of his quotes. Siding with what he called the 'unprofessionals' as

65 Schulte Nordholt, 'Genealogy of Violence', 33–63. Schulte Nordholt argued that the colonial state was a violent state and that 'criminal elements' such as the *jago* were an integral part of the state's expression of power.

66 Casper Schuuring, *Abdulgani. 70 jaar nationalist van het eerste uur* (Zutphen: Walburg Press, 2003), 47. 'Roeslan had een "sturende hand" gehad in de zogenoemde geleide democratie.'

67 Sukarno, 'Pidato Presiden Sukarno tentang "Demokrasi Terpimpin" dalam Sidang Dewan Nasional Ke-VIII Tanggal 23 Djuli 1958', in *Demokrasi Terpimpin*, 2.

68 Abdulgani, *Demokrasi dan Ekonomi*, 36.

opposed to the professional experts, he said, 'it was these unprofessionals who created and forwarded the Indonesian Nationalist Movement which proved capable of leading the country to shake off the bonds of colonialism [...] There is no reason why such persons should be any less successful in the task of continuing the revolution.'[69]

The problem, then, was not simply economics per se, but its particular Western version. The Indonesian must search for his own economic theory and experiment:

> It is here, in connection with this effort to attain perfection, there lies the appropriateness of my recommendation to always 'think and rethink', 'shape and re-shape' [...] and not to immerse ourselves in textbook thinking alone, not to immerse ourselves in only swallowing everything stuffed down our throats from the outside, not just to immerse ourselves in the atmosphere of *Hollandsdenken* – Dutch way of thinking.[70]

Roeslan lamented on the failure of the first Five-Year Plan that had been hatched by the State Planning Bureau (Badan Perantjang Negara, BPN):

> Perhaps the plans have failed, and perhaps they have not even been applied, because they run counter to certain basic truths about our country. They are plans based on Western conceptions, and do not necessarily have validity in another political and social environment. I am prepared to admit that, in the realm of pure economics, they are certainly ideal, but no economic planning can exist in a vacuum. It is dealing with people living in a society. I know of no reason to support the idea that Indonesian people will react in the same way to the same incentives as Western people do.[71]

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69 Roeslan Abdulgani, 'The Lessons of Indonesia's Experience of Planning', in *Politik dan Ilmu* (Jakarta: Prapantja, 1962), 159.

70 Sukarno, *The Resounding Voice of the Indonesian Revolution. Supplements: Manipol-Usdek and the Birth of Pancasila* (Jakarta: Department of Information, 1965), 34. The dislike of economists was obviously also well known amongst economists themselves. Widjojo Nitisastro commented that 'there was a strong view among the public at the time that the science of economics was totally useless textbook thinking. Some even viewed this as something that could harm the way of life of the people.' In Widjojo Nitisastro, *The Indonesian Development Experience* (Singapore: Institute of South East Asian Studies, 2011), 3.

71 Abdulgani, *Demokrasi dan Ekonomi*, 36.

That the West failed to provide an adequate economic plan for the nation meant that Indonesia needed another plan, one that would throw away the constraints of textbook thinking:

> To solve the economic problems of a nation that has been already formed, especially for nations that are called *nations arrivés*, perhaps the person of outstanding skills in the routine of economics would be required, very precise knowledge of economic science would be required, very highly technical, very 'expert', knowledge of economics would be required. But praise be to God, I know that our economic problems do not have to be solved in a routine fashion.[72]

The revolutionary character of the Guided Democracy was to be placed in the hands of what he termed the 'non-professional' – those who had had experience in the real world, with a broad education and broad interests: 'Government by experts is no substitute for democracy, any more than good government is any substitute for self-government. Again, that pattern of thinking shows a deplorable lack of faith in the good sense and intelligence of the people.'[73]

This belittling of the professional was a major theme of Sukarno's speeches, in which he often attacked those 'bald headed non-political individuals and textbook thinking teachers'.[74] This sentiment was to be displayed by the Depernas, which was to be composed of ordinary people, with a smattering of intellectuals. As Abdulgani phrased it: 'Differing from the planning and development boards of the past, who restricted their membership to the expert-intellectuals, the Depernas will supply its membership from the *golongan karya*,[75] who are

72 Sukarno, *The Resounding Voice*, 44.

73 Abdulgani, *Demokrasi dan Ekonomi*, 19.

74 Selo Soemardjan, *The Changing Role of Intellectuals in Indonesian National Development: A Socio-Historical Interpretation* (n.p.: n.n., 1976), 14. The particular attack on the Economics Faculty of the University of Indonesia after the PRRI rebellion and Sumitro's role was directed by the leftist element and President Sukarno. The faculty's relationship with Berkeley and the Ford Foundation made it an even easier target. John Bresnan, *At Home Abroad. A Memoir of the Ford Foundation in Indonesia, 1953–1973* (Jakarta: Equinox, 2006), 41. For more on the PRRI rebellion, see Chapter 2, fn. 33.

75 *Golongan karya* (or *Golkar*) functional groups are groups of associations based on their role in society (youth, women, farmers, journalists, intellectuals, and so forth), which in Sukarno's ideal society were to replace political parties as the main components of political participation. Golkar was continued under the Suharto regime as a method of political control and became the main political party of the New Order.

rooted and live in the community, without ignoring the advice and opinion of the experts.'[76]

Expert-intellectuals are motivated only by careerism and professionalism, which, according to Abdulgani, was the root problem of modern bureaucracy. Instead, the membership of the Depernas was to be comprised of the cultivated man, being 'a person who has a general education and a wide and forward-looking perspective, who may not be or has not yet become a specialist, but who is not yet infected by the disease of modern bureaucracy'.[77]

Thus, the assumption of the Guided Democracy must be seen as an appeal for collectivism and the raising of the Indonesian masses as participants in its development. As discussed previously, the true 'socialism à la Indonesia' incorporated the masses as political subjects in the development process. In a speech in front of the Depernas in August 1959, Sukarno said: 'Within management there must be decentralization and the democratization of control.'[78] The state was to be decentralized and democratized by opening up its management, which had previously been strongly monopolized by the experts. By empowering the non-professional, the people, that is, the masses, were empowered. Socialism à la Indonesia was not merely a means to reach the goals of the nation-state: it was the goal itself. It required deep and wide-ranging changes within the Indonesian psyche.

The need to balance Western rationality and Indonesian spirituality was a touchy subject: 'The scientific/rational way of thinking is something new to us Indonesians, because previously our culture has placed an emphasis on spiritual issues. This rational way of thinking is the result of Western culture, where a harmonious relationship has been achieved between rationality and the core values of Western culture.'[79] Because of the divide in Indonesian

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76 Roeslan Abdulgani, *Sosialisme Indonesia* (Jakarta: Jajasan Prapantja, 1963), 63. 'Berbeda dengan dewan2 perantjang dan pembangunan jang dulu2, jang menitik-beratkan keanggautaannja kepada para intelek-ahli dan intelek-expert, maka Depernas mengutamakan keanggautaannja untuk golongan2 karya jang berakar dimasjarakat dan ditengah-tengah rakjat tanpa mengabaikan nasehat dan pendapat para ahli dan para expert.'

77 Abdulgani, *Sosialisme Indonesia*, 63. 'seorang jang berpendidikan umum, dan berpandangan luas serta djauh kemuka, jang mungkin tidak ada atau belum gespecialiseerd, tetapi tidak kena tularan kesempitan pandangan dari penjakit birokrasi modern.'

78 Quoted in Runturambi, *Problim Management Ekonomi di Indonesia* (Jakarta: Sumber Tjahaja, 1963), 8.

79 *Rantjangan Dasar Undang-Undang Pembangunan Nasional Semesta-Berentjana Delapan Tahun: 1961–1969,* Buku ke III, *Bidang Mental/Ruhani dan Penelitian*, Jilid V: *Pola Pendjelasan, Bidang Kebudajaan dan Pendidikan* (Jakarta: Dewan Perentjanaan, 1960), 1024. 'Tjara berfikir setjara ilmiah/rasionil ini merupakan sesuatu jang baru bagi kita di Indonesia, karena sebelumnja kebudajaan kita lebih menekankan pada soal2 spirituil.

culture between belief and rational thought, it was important that the school system did not purely focus upon rationalism. The intellectualist foundation of the colonial education system had resulted in the estrangement of its Indonesian pupils from their own culture, leading them to consider their own culture worthless. This had led to the formation of a Westernized man: individualistic, materialistic, capitalistic, liberal, and intellectual, thus differing from the Eastern man, who was a collectivist and a socialist, with a sense of family (*kekeluargaan*), and a focus on harmony and giving weight to spiritual matters.[80]

The main appeal was thus to Indonesia's newly educated youth, that is, the future elite of the nation. The universities therefore had a very important role in the process. Instead of liberal theories, they were expected to cultivate the ideas of scientific socialism. The universities thus were not expected to confine themselves to producing experts; they were also to produce militant, revolutionized youths between the ages of 20 and 25 years. They were not to be a *sanctum sanctorum saevis tranquillis in undis*, an island of peace amongst the revolutionary upheaval, producing cynical, sceptical, hyper-intellectual, and hedonistic young people. Universities were not to be ivory towers that allowed the importation of ideas that would become barriers to progress and socialism.[81] Sukarno reiterated the dangers of these types of intellectuals: 'Cynicism would appear. The faith in the ability of their own nation would be shaken. The *inlander* souls would look down upon their own nation and praise to high heavens the foreigners. Especially amongst the intellectuals.'[82]

Abdulgani used the image of the helmsman assisted by experts to depict the Indonesian 'elite' under Guided Democracy. The experts would thus be relegated to the position of assistants to the more broadly cultivated elite. In speeches to the National Council (Dewan Nasional) conferences during the early years of Guided Democracy, Sukarno never once used the term experts (*ahli*); instead, he used the word 'intellectuals'. In comparison, Djuanda and Nasution both used the word 'experts' in a positive light. Sukarno reiterated several times the experimental nature of the revolution and asked students and intellectuals to

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Tjara berfikir setjara rasionil ini adalah hasil kehidupan kebudajaan di Barat, dimana telah tertjapai harmoni antara tjara berfikir setjara rasionil itu dengan dasar2 kehidupan kebudajaan bangsa2 Barat itu.'

80 *Rantjangan Dasar Undang-undang Pembangunan Nasional*, Buku Ke III, Jilid V, 1024.

81 Abdulgani, *Sosialisme Indonesia*, 98.

82 Sukarno, 'Penemuan Kembali Revolusi Kita', in *Tudjuh Bahan2 Pokok Indoktrinasi* (Jakarta: Dewan Pertimbangan Agung, 1962), 103. 'Sinisme lantas timbul. Kepertjajaan kepada kemampuan bangsa sendiri gojang. Djiwa inlander jang memandang rendah kepada bangsa sendiri dan memandang agung kepada bangsa asing muntjul disana-sini, terutama sekali dikalangan kaum intellektuil.'

fill in the blanks: 'It is you, the youths who are pursuing knowledge, the experts, the professors, all those with intelligence of the mind, that I ask to enrich my ideas.'[83] The idea of having intellectual supremacy over the more technical experts was, of course, an elite conception that would allow the position of the 1928 generation to continue despite the onslaught of the new generation. By positioning the politician as the helmsman in a boat, helped by the experts, the politician, as the purveyor of the revolution, would still have a role to play.

Sukarno always stressed his ideology's universal nature, putting the Indonesian revolution within the spectrum of a humanity-wide revolution. He was to equate it favourably with the Chinese revolution. The roots of this fascination with China were based on the alleged efficacy of Chinese collectivism:

> It is not to be denied that the development in the People's Republic of China is a development under the policy of a New Democracy or a People's Democracy, a type of state–society relations (*ketatanegaraan*) that is in accordance with the character of the Chinese nation. This is similar to the Guided Democracy, which we are implementing today in order to replace a worn and outdated liberal democracy. The wish of the people to be directed so as to participate in the development with efficiency of funds, time and forces should be made real.[84]

The Guided Democracy state shares a number of similarities and differences with the New Order state. Both saw the revolution and Indonesian socialism as having deep roots in Indonesia's ancient cultural past. This cultural root is the source of Indonesian socialist ideals. 'The Javanese concept of "Ratu Adil", the Goddess of Justice' is used by the Guided Democracy state, 'for it is

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83 *Rantjangan Dasar Undang-Undang Pembangunan Nasional*, Buku ke III, Djilid V, 202. 'Kepadamulah, hai pemuda-pemudi jang sedang mengedjar ilmu, kepada Saudara2 ahli2, mahaguru2, kepada semua orang jang mempunjai intelligensi untuk berfikir, berusaha memperkaja ide saya ini.'

84 *Rantjangan Dasar Undang-Undang Pembangunan Nasional*, Buku Ke I, Djilid I: *Pendahuluan*, 22. 'Dan suatu kenjataan jang tidak dipungkiri ialah, bahwa pembangunan di RRT tersebut, adalah pembangunan dengan rentjana keseluruhannja dibawah pimpinan kebidjaksanaan daripada Demokrasi Baru atau Demokrasi Rakjat, jaitu suatu bentuk ketata-negaraan jang sesuai dengan kepribadian bangsa Tionghoa, seperti Demokrasi Terpimpin ditanah Indonesia jang akan kita laksanakan dewasa ini untuk menggantikan Demokrasi liberal jang telah usang dan tidak memenuhi tuntutan zaman. Terutama hasrat Rakjat jang dikerahkan tenaganja untuk ikut membangun dengan melihatkan tendens untuk berhemat pembiajaan, waktu dan tenaga, hendaklah diperhatikan benar2, supaja ditimbulkan pula pada Rakjat membangun: berhemat biaja, waktu dan bahan.'

again social justice which is meant here, not merely the implementation of laws, regulations and other social codes'.[85] The Indonesian past is an agrarian-communitarian past, an ur-communist society whose latent socialism is inherent in its deepest make up.[86] The ancient past is thus shown to be socialist and leftist, not the glorification of a rightist, culturalist aristocratic culture:

> Since ancient times, Indonesian society has been averse both to dictatorship and to the individualism of liberalism. The old system of government was based upon *musjawarah* and *mufakat* (consensus) with the leadership of a single central authority in the hands of a 'sesepuh' or elder, who did not dictate, but led and protected.[87]

This idea of an elder who was not dictatorial was also used by the New Order to depict the ideal leadership. This is different from the feudal aristocratic assumption of authority based on heredity. Alluding to the ideas of the aristocratic nationalist Noto Soeroto, Abdulgani said that

> Guided Democracy was not an Aristo-democracy or a Demo-aristocracy [...] This is because the term Guided Democracy is not a combination of the term Demos with Aristos, or the *Kawulo* with the *Gusti*. In other words, the Demos is not combined with Hero, Führer, Held or Il Duce, but with the idea of social justice; it is the synthesis between Democracy and Socialism.[88]

The body politic of the nation was to be pictured within the harmonious image of the family. In Abdulgani's words: 'Guided Democracy is the democracy of the family system, without the anarchy of liberalism, without the autocracy of dictatorship.'[89] Sukarno, though, rarely used the image of himself as father of the revolution for his position in Indonesian society. In comparison to Suharto, who fashioned himself as the father of development, Sukarno's depiction of himself was as an active man, who was part of the youth.[90] Thus the

85 Roeslan Abdulgani, *Manipol and USDEK in Questions and Answers* (Jakarta: Department of Information, 1961), 36.

86 Abdulgani, *Sosialisme Indonesia*, 12.

87 Abdulgani, *Manipol and USDEK*, 40.

88 Roeslan Abdulgani, *Resapkan dan Amalkan Pantjasila* (Jakarta: Jajasan Prapantja, 1964), 110.

89 Abdulgani, *Manipol and USDEK*, 39.

90 Instead of father of the revolution, he was its mouthpiece, signifying vigour and participation. This was inherently different from Suharto, who looked on with the benign and concerned visage of the father, or the sultan from his throne.

leadership of the Guided Democracy was actually the leadership of an idea, of the nationalist ideology of Pancasila. Perhaps the most peculiar of the ideas that were discussed surrounding the Guided Democracy was its stated ideal of democracy. By extension, it was coupled with keeping a healthy distance from the military. Obviously, the period in question was to see a greater increase in military participation in all walks of life, but within the writings of its main ideologues, with the exception of Nasution, the military was always assumed to be a state apparatus.

5 The Ideology of the 1945 Generation

Selo Soemardjan, secretary to Sultan Hamengkubuwono IX and one of the pioneers of sociology in Indonesia, explicitly divided the elite into three groups: the aristocrats, the religious leaders, and the intellectuals. Differing from Geertz's broad classification of the *abangan* and *santri*, Soemardjan placed greater emphasis on the third group, whose legitimacy was created purely through education and technical capabilities: 'It can even be said without exaggeration that a university degree in modern Indonesian social life functions in the same way as did the now de-socialized aristocratic titles before the 1945 revolution for national independence and democracy.'[91] It is of no little irony, though, that many of the Indonesian intellectuals were those men who had fought during the revolution and had the good luck of being family members of bureaucrats.[92]

There were two reasons for this. First, the revolutionary credential was an important component of legitimacy. Several of Suharto's most important economic policymakers, including Widjojo Nitisastro, Mohammad Sadli, and Subroto, were active in the war in a student battalion.[93]

Second was the American educational experience. For the top policymakers, America represented a formative influence that was not only important because it helped to determine the kinds of ideas that they had for the nation and the state, but more importantly, because their stay in the USA was punctuated by an increasing sense of togetherness and a feeling of solidarity and common goals. In terms of economic policymaking, it was in the dormitories of the University of California, Berkeley and in the halls of the Army Staff

91 Soemardjan, *The Changing Role of Intellectuals*, 4.

92 Gregory, 'Recruitment and Factional Patterns, 52. The technocrats and the military came from the highest social-status origins (97% and 71% respectively).

93 Gregory, 'Recruitment and Factional Patterns', 327–57.

and Command School that the ideas for a future Indonesian economy were thought out. The head of the school, General Suwarto, often asked the economists to stay the night at the compound to discuss the Indonesian economy.[94] Widjojo Nitisastro came to be the natural leader of the small team of economists (seventeen people in total) that determined policymaking during the entire New Order period.[95] The American experience also underscored the importance of a university education as a binding force among the group. As Gregory stated, 'The technocratic elite led primarily academic lives, before and after the completion of their degrees.'[96] The universities represented a mechanism for elite recruitment and for forging solidarity, just as the officer school and the military legal school reflected the military side of the equation.

As David Bourchier and Vedi Hadiz explained, the New Order national discourse seemed to be a mishmash of ideas that at first sight appeared to clash with one another. On the one hand, the state was seen to be organicist,[97] that is, state–society relations were seen through familial, nativist, and organic metaphors, with the state or elite being the father and the nation being the children. In line with Eastern ideals of family relationships, the emphasis was on harmony: the children were obliged to respect and follow the orders of the father. The roots of this organic notion were plucked from the ideas of the noted legal scholar Soepomo and then carried over into the New Order under Brigadier General Soetjipno and the Military Law Academy (Akademi Hukum Militer, AHM).[98]

The second strand of state–society relations was the emphasis on the communitarian and agricultural basis of Indonesian society, which came from the army's experience during the revolution and their anti-communist strategies at the end of the 1950s and 1960s, when they actively created and promoted civilian organizations that were extensions of the army in various sectors of society. Fearing social revolution from the agrarian population as a result of

94 Emil Salim, 'Tanpa Tedeng Aling-aling', in *Ekonomi Indonesia di Era Politik Baru: 80 Tahun Muhammad Sadli* (Jakarta: Kompas, 2002), 6.

95 Ahmad Helmy Fuadi, 'Elites and Economic Policies in Indonesia and Nigeria, 1966–1998', PhD dissertation, Universiteit van Amsterdam, Amsterdam, 2012, 75.

96 Gregory, 'Recruitment and Factional Patterns', 334.

97 David Bourchier and Vedi R. Hadiz (ed.), *Indonesian Politics and Society. A Reader* (London: RoutledgeCurzon, 2003), 27; see also Anthony Reid, 'Political Tradition in Indonesia: The One and the Many', *Asian Studies Review*, 22/1 (March 1998), 23–38; Barry Turner, 'Nasution: Total People's Resistance and Organicist Thinking in Indonesia', PhD dissertation, Swinburne University of Technology, Melbourne, 2005, 1–28.

98 Bourchier and Hadiz (eds), *Indonesian Politics and Society*, 27.

communist agitation, the army's main aim was to develop and create programmes that would involve the military in rural areas on a more-or-less permanent basis.[99]

What was significant about the ideas of the New Order was actually how widely it was accepted amongst the elite. There were certainly differences of opinion as to whether the economy should be opened up to investment or whether an import-substitution industrialization model was the better option. Another significant aspect was how many of the New Order's ideas were actually a continuation of those that had been developed during the Guided Democracy. As General Panggabean remarked during his opening speech at the second army seminar in 1966:

> What we mean by the New Order is not a political, economic or societal order that is totally different from the Old Order [...] What we want is to do away with some of the Old Order way of thinking and social system that would be a hindrance to our goals of achieving our national dream.[100]

As Bourchier and Hadiz wrote, 'the regime's managerial and developmentalist character grew partly out of Soeharto's close relations with Lieutenant-General Suwarto, the man who brought together Indonesia's first generation of US-trained economists and senior officers at the Army Staff and Command School (Seskoad)'.[101] According to Koentjoro-Jakti, 'the culmination of these trends emerged when all the ideas finally appeared as an ideological package under the authoritarian systems of Guided Democracy, and later, the New Order'.[102] The traditionalist ideas of New Order organicism and rural bias had been developed earlier, as part of the revolutionary war or even as part of the

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99 Guy Pauker, 'Political Consequences of Rural Development Programs in Indonesia', *Pacific Affairs*, 41/3 (Autumn 1968), 386–402.

100 Sarbini Sumawinata, *Amanat/Pidato, Prasaran dalam Seminar AD Ke-II, 1966* (Jakarta: Pertjetakan Negara, 1967), 3. 'Jang kita maksudkan dengan Orde Baru bukanlah suatu tata politik, tata ekonomi atau tata masjarakat jang sama sekali berbeda daripada jang dinamakan Orde Lama. [...] Jang kita mau buang djauh2 dari Orde Lama adalah beberapa tjiri tata fikir dan tata kehidupan jang tidak mungkin dapat membawa kita ketudjuan nasional jang kita idam-idamkan dahulu.'

101 Bourchier and Hadiz (eds), *Indonesian Politics and Society*, 27.

102 He defined the trends as technocracy, elitism, populism, and nationalism, all of which were at some variance with each other similar to Bourchier and Hadiz's analysis. Dorodjatun Kuntjoro-Jakti, 'The Political Economy of Development: The Case of Indonesia under the New Order Government, 1966–1978', PhD dissertation, University of California, Berkeley, 1980, 29.

effort by Indonesian intellectuals to understand the nature of Indonesian society during the colonial period.[103] What Sukarno called a 'revolution' was what many of the New Order intellectuals termed 'development': its modernist and planned character, its managerial component, and its need to control and change society.

In 1965–1966, several conferences were held at Seskoad and the University of Indonesia (Universitas Indonesia, UI) to discuss what the change in regime meant for Indonesian state–society relations. Reading the speeches given at these conferences, one gains an insight into a project that entailed moulding a traditional society into its modern form. A persistent theme of many of the papers given at this conference was the almost logically assumed position of the military within a leadership position. Thus Emil Salim stated that there was good reason for the launching of the Guided Economy by Sukarno because 'economic activities cannot be left to the mercy of market powers alone, but would need to be controlled and commanded'.[104] The Guided Democracy's effort at militarily controlling the economy and Sukarno awarding military ranks to himself and the state's economic policymakers, such as Abdulgani, Soebandrio, and Chairul Saleh, were seen not so much as a break with the perceived normal route towards modernity but as a lack on the part of the leadership to orient themselves with development. Thus, Sarbini Sumawinata contends: 'Only a leadership that was "developmentally oriented" could face the challenges of development. A leadership that failed to orient its goals towards development would fail to maintain stability within the community.'[105]

The doyen of the technocracy, Widjojo Nitisastro, based his support for a militarized economy on the natural quality of military leadership: 'The raw determination to overcome economic difficulties in a responsible and disciplined manner can only be achieved if all of the government's apparatus can

103 To what extent the rural bias of the army was a fully Indonesian invention is open to doubt. Although generally speaking the roots of the army's Civic Action programme were attributed to Ibrahim Adjie's Siliwangi Division's efforts to develop the community after a successful counter-insurgency programme against the DI/TII rebels, it is also possible that it had American roots.

104 Emil Salim, 'Politik dan Ekonomi Pantjasila', in Widjojo Nitisastro (ed.), *Masalah-masalah Ekonomi dan Faktor-faktor Ipolsos* (Jakarta: Terbatas, 1965), 103. 'Oleh karena itu kebutuhan untuk melansir konsep Ekonomi Terpimpin. Kegiatan ekonomi tidak dapat dibebaskan pada kekuatan2 didalam pasar semata akan tetapi perlu dikendalikan dan dipimpin.'

105 Sarbini Sumawinata, 'Masalah Stabilisasi Politik', in *Amanat/Pidato, Prasaran dalam Seminar AD Ke-II, 1966* (Jakarta: Pertjetakan Negara, 1967), 48. 'Hanjalah leadership jang "development oriented"-lah jang akan menghadapi tantangan2 tersebut. Suatu leadership jang orientasi-nja kearah segala sesuatu jang bukan pembangunan, pasti akan gagal mempertahankan stabilitas.'

work as one harmonious team with an effective "unity of command" in the economic sector.'[106]

Nitisastro would actually run a relatively tight ship within his group of technocrats and so his reference to a 'unity of command' was to a large extent aimed at technocratic policymakers. Yet, the militarized language conceded the necessity of a military-run state, one which the technocrats would eventually, hopefully, help in directing towards development.

The people were reconfigured in a new imagery: the masses. According to Barli Halim, 'the masses have a temporary relationship with the individual members, one based on emotion and less on rationality. The masses feel that they are "more powerful and more potent" than other people/groups or have a tendency to blame other groups for something despite a lack of evidence.'[107] As a managerial specialist with an MBA, Halim reduced the people and their political aspirations to the form of a mob or homogenous mass. Sumawinata's discussion on stability panders to this image of the masses, noting that a society transitioning from the traditional masses to a modern citizenship contains within it political, social, and cultural powers that will have to be channelled by the authority in a way that benefits the development process.

> The goal of political stability should be a dynamic stability, in which social forces should neither be suppressed nor equalized, but should be channelled and guided toward positive and productive activities. This type of stability is not in 'static equilibrium', but must be understood as a type of control and supervision, in which all tensions and conflicts are resolved in a peaceful manner, without killing its dynamism.[108]

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106 Widjojo Nitisastro, 'Persoalan Ekonomi-Tehnis dan Ekonomi-Politis dalam Menanggulangi Masalah2 Ekonomi', in *Masalah-masalah Ekonomi dan Faktor-faktor Ipolsos* (Jakarta: Terbatas, 1965) 13. 'Kebuletan tekad untuk menaggulangi kesulitan2 ekonomi dengan konsekwen dan dengan penuh self-discipline hanjalah dapat dijadikan kenjataan apabila alat2 pemerintah bisa bergerak sebagai satu team jang serasi dengan "unity of command" dibidang ekonomi jang effektif.'

107 Barli Halim, 'Massa dan Media', in Widjojo Nitisastro (ed.), *Masalah-masalah Ekonomi dan Faktor-faktor Ipolsos* (Jakarta: Terbatas, 1965), 64. 'Massa bersifat sementara dalam hubungan diantara para anggautanja, sedangkan tiap anggautanja lebih banjak beremosi dan kurang rationil. Berdasarkan ini massa mempunjai perasaan "lebih kuat dan lebih perkasa" dari orang/golongan lain, atau massa itu tjepat menjalahkan golongan lain walaupun bukti2 tidak tjukup lengkap dan sebagainja.'

108 Sumawinata, 'Masalah Stabilisasi Politik', 47. '[S]tabilitas politik jang harus ditjapai ialah stabilitas jang dinamis, dimana kekuatan sosial tidak ditekan ataupun diimbangkan, melainkan harus dapat disalurkan dan didjuruskan ke arah kegiatan2 jang positif dan produktif. Stabilitas jang demikian ini bukanlah suatu "static equilibrium", melainkan harus diartikan sebagai suatu penguasaan dan pengawasan keadaan, dimana

The people as the masses were seen as being in opposition to the nurturing and managing capability of the elite. In fact, the military elite was seen as the opposite of the masses. Kartomo Wirosuhardjo's article paints the inevitable picture of societal harmony. If each group knows where it belongs within the pyramidal structure of social stratification, then peace and harmony will reign in the body politic. This traditionalist and static view of society was couched within a depiction of modern transition.

In fact, the top tier of the pyramid should be filled with a combination of three groups of elites. First, the military elite with their 'discipline, initiative, militancy, and earnestness in doing their duty'. Second, the secular intelligentsia, which are those 'people who have obtained an expert education, for instance doctors, economists, lawyers, engineers, agricultural experts, educational experts, journalists, and others. This is a group of people who use science and technology in their line of work. They have expertise in their field but sometimes lack the push to conduct real change.' The third group consists of the entrepreneurs, who are 'creators or people who use new ways to obtain great profits. They are drivers of industry and trade and are composed of people who are always searching for greater success.'[109] These three groups working together would strengthen modernity among the masses. The people, on the other hand, required the guiding hands of disciplined experts and creators. In fact, instead of power, the masses would be given culture.

A national culture based on the nation's history was essential in indoctrinating the people to accept this pyramidal structure with its military-expert-business elite at the helm. Wirosuhardjo again argued for the need to create a culture that would be immune to the outside cultural influences that had had a devious tendency to seep into the Old Order's national culture which

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semua ketegangan2 dan konflik2 dapat diselesaikan setjara damai, tanpa mematikan dinamiknja.'

109 Kartomo Wirosuhardjo, 'Masalah Kekaryaan ABRI', in Sarbini Sumawinata, *Amanat/Pidato, Prasaran dalam Seminar AD Ke-II, 1966* (Jakarta: Pertjetakan Negara, 1967), 197. 'Golongan militer mempunjai disiplin, inisiatif, militansi dan kesungguhan dalam melaksanakan satu tugas.' […] 'Golongan seculer intelligentsia ini terdiri dari orang-orang jang mendapatkan pendidikan keahlian, jakni dokter, sardjana ekonomi, hukum, teknik, pertanian, pendidikan, wartawan dan lain-lain. Golongan ini terdiri atas orang-orang jang dalam pekerdjaannja mengetrapkan ilmu dan tehnologi modern dalam praktek. Mereka ini mempunjai ketjakapan dalam bidangnja tetapi sering kurang mempunjai dorongan untuk perubahan-perubahan jang njata.' […] 'Golongan entrepreneur ini merupakan pentjipta-pentjipta atau orang-orang jang menggunakan tjara-tjara baru untuk memperoleh keuntungan atau hasil-hasil jang lebih besar.'

included flags, traditional dances, language, paintings and songs.[110] The New Order would thus have to search for its own specific forms of national culture; and a return to tradition was what was offered by many social scientists. Selo Soemardjan called for a revival of the traditional idea of the role model (*panutan*), which had deep roots in Javanese society. The Javanese word *manut* means to follow, specifically to follow the leadership. The Javanese role model is passive, while its modern role would be active.

> In other words, the role model of the past requires only *tut wuri handayani*, which means pushing their influence from behind. But now role models within Indonesia's modern society are expected to take the lead and fulfil their role as *ing ngarsa sung tulada*, i.e. to lead by example. The appreciation of society in today's democratic age for their role models would surely increase if they also situated themselves as *ing madya mangun karsa*, which is to live in society and work together with society to build a strong spirit in an effort to create societal happiness and state magnificence.[111]

What is significant about Soemardjan's imagery is again the deeply feudal form taken from Java's long feudal past, something that the nationalists, leftists, and many Islamists in Indonesia abhorred. Soemardjan, though, himself an aristocrat and a loyal follower of, and personal secretary to, Sultan Hamengkubuwono IX, must have had few qualms about painting this picture of modern Indonesian society through an aristocratic Javanese frame of reference. Even more significant is, of course, his credential as the 'father of Indonesian sociology'. His American education did not conflict with what he saw as a rational way of ordering society. Wirosuhardjo's ideas on indoctrination are also rooted

110 Kartomo Wirosuhardjo, 'Re-Thinking dalam Indoktrinasi', in Widjojo Nitisastro (ed.), *Masalah-masalah Ekonomi dan Faktor-faktor Ipolsos* (Jakarta: Terbatas, 1965), 40–41.

111 Selo Soemardjan, 'Sifat2 Panutan didalam Pandangan Masjarakat Indonesia', in Widjojo Nitisastro (ed.), *Masalah-masalah Ekonomi dan Faktor-faktor Ipolsos* (Jakarta: Terbatas, 1965), 53. 'Dengan perkataan lain, para panutan dalam zaman dahulu tjukup mengambil peranan "tut wuri handajani", jaitu memberikan pengaruh dari belakang. Tetapi sekarang para panutan didalam masjarakat Indonesia modern diharapkan tampil kemuka dan menempati kedudukan "ing ngarsa sung tulada", jaitu tampil kedepan untuk memberikan contoh. Penghargaan masjarakat dalam zaman demokratis sekarang terhadap para panutannja akan memuntjak tinggi apabila mereka itu djuga menempatkan diri "ing madya mangun karsa", jaitu hidup ditengah-tengah masjarakat dan bersama-sama dengan masjarakat membentuk semangat madju terus kearah kebahagiaan masjarakat dan kebesaran negara.'

in his time spent studying in America. A modern take on Indonesian culture thus primarily took the form of feudal revivalism.

6 Conclusion

The development of Indonesian ideas about authority and state–society relations evolved during the Guided Democracy. The change was partly brought about by a generational shift from the 1928 generation to the 1945 generation (terms I have borrowed from Weinstein's analysis). More importantly, the roots of these changes were entwined with the developments of the 1950s and the expansion of education, which will be discussed in Chapter 5. The clash of ideas between Sukarno and expert economists represented a conflict over authority. The expert elite of the 1950s was considered a threat to Sukarno's corporatist ideas. What Sukarno wanted was not to destroy and eliminate the experts, professionals, and economists but merely to discipline them and force them to conform to his ideas of state–society relations.

Two things happened. The major decision-makers of the 1950s were sidelined, and, more importantly, a new generation of experts was brought in to develop the new Guided Democracy state corporate discourse. As we will see in Chapter 7, their study of communist institutions increasingly drew them closer to the military managerial elites. The development of the military in relation to the corporatist state was an essential part of the Guided Democracy and one that cemented Indonesia's long-lasting twentieth-century military rule. The coalescence of experts and the military elite was a side effect of Sukarno's anti-expert ideology. The Guided Democracy thus had a profound role in moulding this emergent elite.

CHAPTER 2

The Military Expansion into the State

Abstract

This chapter looks into the development of the Indonesian military after independence and the doctrinal development of the army that would provide the ideological and strategic foundation of the army's role in Indonesia's postcolonial state and society. It looks specifically into the army's territorial and rapid strike doctrines and its relationship to the rise of education for army officers. The influence of American doctrines of Civic Action and strike doctrines like the Pentomic Doctrine was channeled through the copying of American army officer curriculum in Indonesia's main army officer school, the Seskoad. American ideas of population capture through rural control and development was mirrored by the Indonesian army's development of counter-insurgency strategies. This strategy envisioned greater cooperation between the military and social scientists in developing strategies of control and development. It also envisioned the army as community leader and social engineers. Indonesia's developmental state can only function if the state can capture the population. Indonesia's counterinsurgency state is thus a central component for the New Order's developmental state and its roots can be found during the shift in army elite production in the 1950s.

Keywords

Indonesian military doctrine – counter-insurgency state – civic action – army dual function – army elite education

The formation of the dual function (*dwifungsi*) of the military was one of the cornerstones of both the Guided Democracy and the New Order. This chapter looks into the structural transformation that gave the military legitimacy within the 'developmentalist' project of the Guided Democracy state. I will first look at the gradual centralization of the army command around General Abdul Haris Nasution and the simultaneous creation of the military elites. Following the work of both Rudolf Mrazek[1] and Ernst

1 Rudolf Mrazek, *The United States and the Indonesian Military, 1945–1965: A Study of an Intervention* (Prague: Oriental Institutet, 1978).

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Utrecht,[2] I will look at the development of two different army doctrines: the territorial doctrine and the Tri Ubaya Cakti (Three Sacred Pledges). These doctrines represented ideological responses to two army factions: the territorial elite, who saw territorial management as the answer to problems of coordination; and the para-military elites, who focused on forward capability.

The question of control is essential here. The territorial doctrine aimed to expand military control over other institutions within the central and regional governments. The Tri Ubaya Cakti wanted the military, as a forward force, to be under the command of Sukarno. In both cases, the formation of territorial and strike-command elites required education. The creation of both a military managerial elite and a para-command elite was often predicated on American help. This was especially true for the para-command elites of the Guided Democracy, who obtained educational grants from the Kennedy Administration to go to the United States for training in the latest counter-insurgency tactics.

1 The Revolutionary Period

During the war, the Japanese controlled Indonesia through three separate military administrations run by the army and the navy, respectively.[3] Because the politicians working under the Japanese were not allowed to coordinate at these levels, the local state presence took on a military form. As Kilcullen phrased it, 'The system was a means of coercion, propaganda, information collection, aid distribution and control over the population.'[4] Indigenous military organizations were prevalent in Java.[5] PETA was the first military organization during the Japanese occupation that was commanded and controlled by Indonesians. By December 1944, PETA had sixty-six battalions in Java, with a total estimated force of over thirty-seven thousand soldiers by 1945. The number of Indonesians involved in the various military and para-military organizations was estimated to be in the order of 2 to 2.2 million people.

2 Ernst Utrecht, *The Indonesian Army: A Socio-Political Study of an Armed, Privileged Group in the Developing Countries* (Townsville: Southeast Asian Studies Committee, 1978).

3 The 25th army division held sway in Sumatra and the 16th division in Java. East Indonesia was under administration of the navy.

4 David Kilcullen, 'The Political Consequences of Military Operations in Indonesia', PhD dissertation, University of New South Wales, Sydney, 2000, 33.

5 Paramilitary organizations and schools were effectively used to instil radical nationalism. M. A. Azis, *Japan's Colonialism and Indonesia* (The Hague: n.n., 1955), 178.

Military control of the territories contributed to ideas surrounding Indonesia's state–society relations. Guerilla operations weakened central command, resulting in the regionalization of military power.[6] Robert Cribb writes that Nasution's principal contribution to the study of guerrilla warfare was his ability to depoliticize it, which contrasted with the politicization of people regarding social change that was espoused by generals such as Vo Nguyen Giap.[7] The depoliticized nature of Indonesia's guerrillas stemmed from both Nasution's modernist aspiration to create a professional army and what can only be regarded as the Indonesian elite's distrust of the masses.[8]

Nasution's idea of guerrilla warfare was conceived while he was commander of the Java army in 1948, in which capacity he was the executive leader of both the military and the civilian authority.[9] With the formation of a military government, the heads of the divisions automatically became military governors in their respective provinces. At the highest level (the district level, or *tingkat keresidenan*) was the Sub-Regional Military Command. Beneath this was the District Military Command,[10] paralleling the district (*kabupaten*) level. Lastly, at the sub-district level (*kecamatan*) was the Sub-District Military Command.[11] Only at the village level was there a non-militarized executive. Yet, the *lurah* were now to report, not to their civilian line of command, but to the KODM.[12] The *Wehrkreise*, or independent units, formed the main substance of the mobile units. Most STM commanders were also *Wehrkreise* commanders. Indonesian political parties were never able to form a comparable administrative or organizational presence at the local or village level during this period.

This system predated the 1948 reorganization of a parallel military government and was created in October 1947 after the First Dutch Military

6 Kilcullen, 'Military Operations in Indonesia', vii.

7 Robert Cribb, 'Military Strategy in the Indonesian Revolution. Nasution's Total People's War in Theory and Practice', *War and Society*, 19/2 (2001), 150.

8 The masses were seen as a destabilizing and destructive force that required a vigilant redirection to productive purposes, in an image that equates it with river torrents and the government with the engineer's ability to redirect flows toward irrigation purposes. This is something that came up during the seminars held by the military and economists during the transition period of the Guided Democracy and New Order periods.

9 Salim Said, *The Genesis of Power: Civil and Military Relations in Indonesia during the Revolution for Independence, 1945–1949* (Singapore: Institute of Southeast Asian Studies, 1981), 195–6.

10 The Komando Distrik Militer was later known for its abbreviation Kodam.

11 Said, *The Genesis of Power*, 195–6.

12 Salim Said, 'The Political Role of Indonesian Military: Past, Present and Future', *Southeast Asian Journal of Social Sciences*, 15/1 (1987), 17.

Aggression. The aim was to create the illusion of the Siliwangi Division being under one command, even though many of its troops had spread out after the attack and partial occupation of West Java by Dutch forces in July and August 1947. The paralleling and subordination of the civilian administration to the military was followed by the decentralization of the local territories by the local military administration.[13] The 'guerilla-ization' of the civilian administration was not limited to the executive administration but included many of the public services, including the police, judicial courts, taxation, information services, public health, education, manufacturing, and so forth.[14]

What happened during the revolutionary war was thus the development of a segmented army, whereby guerrilla warfare led to the creation of military fiefdoms at various local levels. The result was a territorial army, in which army divisions were manned and officered by people of the same locality.[15] The failure of the political elites to extend their administrative authority outside the capital was compounded by the failure to effectively integrate the segmented military under civilian supremacy. The government had a modern vision of the army and backed ex-KNIL officers to lead the military. In 1945, when the army voted for Sudirman (1916–1950), an ex-PETA officer, to lead the military, the government had no choice other than to accept.[16]

Yet, as Ruth McVey has shown, the segmentation of the military was more than made up for by the fact that the army came out of the revolution without a significant divergence in ideological background. The left-leaning part of the army was destroyed during the Madiun rebellion. The conservative-colonial part of the army, the KNIL, achieved such notoriety that its participation after the transfer of sovereignty was made impossible, although some of those occupying positions at the chief-of-staff level were of KNIL extraction. Lastly, Islamic influence had been reduced by the end of the revolution, at which point the Muslims embarked on a protracted guerrilla war for the establishment of an Indonesian Islamic State.[17]

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13 Said, *The Genesis of Power*, 199–200.

14 Nasution, *Fundamentals of Guerrilla Warfare*, 26.

15 Daniel Lev, *The Transition to Guided Democracy: Indonesian Politics, 1957–1959* (Ithaca: Cornell Modern Indonesia Project, 1966), 12.

16 Said, *The Genesis of Power*, 98–103.

17 Ruth McVey, 'The Post-Revolutionary Transformation of the Indonesian Army', *Indonesia*, 11 (April 1971), 131–76.

2 The Centralization of the Army in the 1950s

Benedict Anderson and Ruth McVey highlighted the division of the Indonesian army between the Dutch-educated KNIL officers and the Japanese-educated PETA, Laskar (paramilitary), and Youth (Pemuda) officers. The latter was the group that coalesced around the venerable war hero General Sudirman. Sudirman acquired mythical status for his role as the military, but also spiritual, leader of the wider army. The Sudirman group was based in the Diponegoro Division of Central Java and was highly motivated by the notion of the spirit of 1945 (*semangat 45*), an almost spiritual concept that attributed a positive value to the feelings of revolutionary fervour.[18] This group was highly homogenous, with the majority of its officers being local Javanese.

The former group coalesced around the figure of former KNIL officer General Urip Sumohardjo. The group was based in the former colonial-army headquarters in Bandung and in the Siliwangi Division of West Java, and was composed of Dutch-trained, Westernized individuals, including Nasution and Tahi Bonar Simatupang. In 1945, Sumohardjo convened with thirteen former KNIL officers to pledge allegiance to Indonesia and to create a modern military. Thus, the divide in the military was between a Javanese-speaking, *priyayi*-centred, PETA-trained group and a Dutch-speaking, cosmopolitan-intellectual, KNIL-trained group that contained a large proportion of Outer Islanders.[19] The latter group's 'ability to deal with administrative problems, Republic-level politics and Dutch counterparts brought them into top positions in the course of the war for Independence'.[20]

Although lacking some of the wider support that Sudirman enjoyed, the Sjahrir, and later Hatta, cabinets were supportive of the Bandung group and proceeded to elect people from the group to head the failed army modernization programme, the 'reconstruction and rationalization' (*rekonstruksi dan rasionalisasi*, *re dan ra*),[21] coined by Nasution in 1948. Nasution was appointed to the position of army chief of staff following the death of General Sumohardjo

18 Benedict Anderson and Ruth T. McVey, *A Preliminary Analysis of the October 1, 1965 Coup in Indonesia* (Ithaca: Cornell Modern Indonesia Project, 1971), 4. 'For soldiers of this kind, revolution is more drama than reconstruction, violent action rather than transformation of institutions. Soldiering itself is less a matter of techniques and skills, than the development of moral and spiritual faculties through a kind of modernized asceticism. A good soldier is identified by the kind of man he is rather than by his effectiveness on military exercises.'

19 Anderson and McVey, *A Preliminary Analysis,* 1–6.

20 Ruth McVey, 'The Post-Revolutionary Transformation', 134.

21 Utrecht, *The Indonesian Army: A Socio-Political Study*, 14.

in 1948. Taking up the reins during the second military clash with the Dutch, Nasution would start to shape his ideas of the role of the military in society.[22]

With the end of the revolutionary war and the formation of the cabinet of the United States of the Republic of Indonesia, Prime Minister Hatta's policy to reduce the number of civil servants was followed by a focus on the military, which aimed to reduce the number of fighters through a series of rehabilitation programmes that would enable the transition of soldiers to civilian life. Unfortunately, the project was a failure. Transmigration and community development schemes would have helped thousands of former fighters to start new lives,[23] but the implementation was less than satisfactory.[24] In the new and democratic society of the 1950s, many of these former fighters became gangsters and henchmen, or took up roles in party and mass-membership organizations. At any rate, there was resentment of the civilian leadership's lack of concern for the well-being of the veterans of the revolutionary war.[25]

As chief of staff, Nasution would initiate the *re dan ra* again in 1950, with the consent of Prime Minister Hatta, in the hope of creating a small but modern army. This modernization was backed by many of the former KNIL officers, Minister of Defence Sultan Hamengkubuwono IX, and Secretary General of Defence Ali Budiardjo, a PSI sympathizer. Half of the partisan membership left the army, including officers. Consequently, there was a shift in the social background of the military officers.[26]

Members of Parliament voiced their support for the partisan grievances, attacking Nasution's efforts to modernize the army and his willingness to work with the Netherlands Military Mission (Nederlandse Militaire Missie, NMM).[27] The parliamentary attack on the military leadership of Nasution and Simatupang led to the 17 October 1952 affair, in which Nasution's military faction tried to force President Sukarno to dissolve Parliament to allow Nasution to

22 Nasution, *Fundamentals of Guerrilla Warfare*, 25.

23 Report of the Social Ministry to the Prime Minister on the National Planning Board, Jakarta, 15 June 1951, Arsip Nasional Republik Indonesia, Jakarta (hereafter ANRI), Kabinet Presiden Republik Indonesia, 1950–1959. inv. no. 1277.

24 Abdul Haris Nasution, *Tjatatan Sekitar Politik Militer Indonesia* (Jakarta: Pembimbing, 1955), 349–50.

25 Nasution, *Tjatatan Sekitar Politik Militer*, 204.

26 Ernst Utrecht, 'The Indonesian Army as an Instrument of Repression', *Journal of Contemporary Asia*, 2/1 (1972), 58; Utrecht, *The Indonesian Army: A Socio-Political Study,* 7; R. E. Elson, *Suharto, a Political Biography* (Cambridge: Cambridge University Press, 2001), 61.

27 The Dutch military mission was created in accordance to the Round Table Agreement to train the Indonesian armed forces in modern warfare for a period of five years. It ended in 1963 and was not renewed.

take over as a dictator. Sukarno managed to defuse the situation and prevented the death of parliamentary democracy until later in the 1950s. This action disgraced Nasution, who had his position as chief of staff annulled. Parliament voted in a new and more neutral army chief of staff: Major-General Bambang Sugeng.[28]

The shift of power towards the PETA faction in the military might have signalled a weakening of the modernizer faction that had supported reconstruction and modernization. Yet, chief of staff Sugeng made an honest effort to bridge the gap, culminating in the Yogyakarta Charter of February 1955 (Piagam Jogja 1955). With the support of the PETA faction, Nasution was able to swiftly move to dominate the army leadership. With the Indonesian Communist Party (Partai Komunis Indonesia, PKI) emerging as the fourth-largest party in Parliament after the 1955 election, Nasution increasingly called for the dissolution of the parties. In 1956, Nasution announced plans to rotate territorial commanders, which would weaken the hold of these military men and their fiefdoms, in order to slowly bring the fragmented and decentralized military under the leadership of Jakarta. Regionalist displeasure with Jakarta resulted in the PRRI[29] rebellion. Some of the PSI and Masyumi leadership were involved in the rebellion.[30] From 1955, a relatively solid army was being created, supporting the position of Nasution.[31] Units and commanders reluctant to support Jakarta rebelled and eventually merged into the PRRI/Permesta[32] movement, whose core consisted of Masyumi and PSI members.

3 Anti-corruption and the Road to Power

During Nasution's civilian stint (1952–1955), he published his ideas concerning the role of the military in modern Indonesian society.[33] The hope that the 1955

28 Ulf Sundhaussen, *The Road to Power. Indonesian Military Politics, 1945–1967* (Kuala Lumpur: Oxford University Press, 1982), 74–5.

29 PRRI stands for Pemerintah Revolusioner Republik Indonesia (Revolutionary Government of the Republic of Indonesia). It was a rebel movement led by regional army officers who were dissatisfied with Jakarta's policies and conduct.

30 Herbert Feith and Daniel Lev, 'The End of the Indonesian Rebellion', *Pacific Affairs*, 36/1 (Spring 1963), 32–46.

31 Sundhaussen, *The Road to Power*, 79–88; Crouch, *The Army and Politics*, 32.

32 Permesta was a rebellion based in Eastern Indonesia that centred on the city of Manado and was led by two TNI officers, Alexander Evert Kawilarang and Ventje Sumual.

33 Including the publication of his most important work on guerilla warfare. This was later translated into English and was particularly appreciated as a non-leftist approach toward guerilla warfare.

election would create a non-corrupt and stable government was dashed when the elected cabinet proved to be as corrupt and incapable as previous ones.[34] The period 1955–1957 thus represented a litmus test of the ability of the civilian leadership to stave off the increasingly hostile camp of anti-liberals.[35] In 1955, at the Technical Faculty of the University of Indonesia, Sukarno reiterated his feelings for the democratic system by saying that 'parties can disappear but the universities must not'.[36]

On 14 September 1956, Nasution held a meeting with the National Security Board (Dewan Keamanan Nasional) specifically to design the course to be taken by the military to regulate the press and eradicate corruption.[37] This was the public rationale for greater military involvement in civilian affairs, an effort justified by the failure of Parliament to enact an anti-corruption bill.[38]

The end of the Second Ali Sastroamidjojo Cabinet paved the way for aggressive military participation in executive affairs. When Sastroamidjojo handed over his mandate to the president at 10 am on 14 March 1957, it took Sukarno just thirty minutes to declare martial law.[39] On 9 April, chief of staff and military ruler Nasution issued a Regulation on the Eradication of Corruption (Peraturan Pemberantasan Korupsi), whose broad definition of corruption included activities by persons or bodies which would, directly or indirectly, result in financial or economic loss to the state and persons holding a position and receiving a salary from the state, who, through the authority, power, or opportunity provided by their position, had, directly or indirectly, received a financial or material benefit as a result.[40] On the same day, Nasution set up a system of military observers within the civilian bureaucracy to keep an eye on the government departments.[41]

On 28 March 1957, one day after Nasution's announcement that there would be an investigation of allegedly corrupt government officials, twelve civil servants were called in by the commander of the Military Police Corps (Corps

34 Feith, *The Decline of Constitutional Democracy*, 462–73.

35 In particular, the Murba party, which came out as a supporter of Sukarno's Konsepsi later on.

36 *Tangkas*, 10 February 1955.

37 *Duta Masyarakat*, 17 September 1956.

38 *Duta Masyarakat*, 11 April 1957 and ANRI, Kabinet Presiden Republik Indonesia, 1950–1959, inv. no. 1939.

39 State of War and Siege (Staat van Oorlog en Beleg, SOB).

40 *Duta Masyarakat*, 11 April 1957.

41 Army intervention on civilian affairs, National Archives of Australia, Canberra (hereafter NAA), A1838.

Polisi Militer, CPM).[42] In total, thirty-seven people were investigated, with eleven officially held by the CPM. Among these, several very important names stood out: Iskaq Tjokroadisurjo, former minister of the first Ali Cabinet; Ong Eng Die, former finance minister of the first Ali Cabinet; and Jusuf Wibisono, the Masjumi finance minister in the second Ali Cabinet. Sumitro Djojohadikusumo avoided incarceration as he was in Tokyo at a finance conference.[43] He went to West Sumatra to join the PRRI rebellion.[44]

The 9 April Regulation on the Eradication of Corruption was a milestone for Indonesia as it represented the first legal move to eradicate corruption; yet it was part of broader changes enacted by the military.[45] A series of increasingly stringent regulations were created.[46] In June 1958, a team was formed for the investigation of personal wealth and was ordered by the Justice Ministry (Kementerian Kehakiman) to carry out their work in all provinces other than those actively rebelling or under Dutch occupation.[47] On the instructions of the executive, in 1958 the Anti-Corruption Commission (Komisi Anti-Korupsi), headed by Prime Minister Djuanda, completed a draft plan concerning the composition, tasks, and working methods of the Coordination Body for the Investigation of Personal Wealth and Property (Badan

42 *Keng Po*, 28 March 1957. These included Dr A. K. Gani, Mr Iskaq Tjokroadisurjo, Dr Ong Eng Die, Mr Kasman Singodimedjo, Mr Tan Po Goan, Dr Sumitro Djojohadikusumo, Mr Sjafruddin Prawiranegara, Mr Jusuf Wibisono, Dr Lie Kiat Teng, Dr Saroso, Arudji Kartanegara, Djamaluddin Malik, and others.

43 *Duta Masyarakat*, 9 May 1957; Bevelschrift voor aanhouding Prof. Soemitro, Nationaal Archief, The Hague (hereafter NA), inv. no. 382.

44 *Duta Masyarakat*, 30 May 1957.

45 'Lampiran Perundang-undangan Peraturan Penguasa Militer', *Hukum*, 7–8 (1957), 16–166.

46 Panitya Anti Korupsi. Pemberantasan Korupsi, Kabinet Perdana Menteri Republik Indonesia, Jakarta, 20 May 1960, ANRI, Perdana Menteri Republik Indonesia, inv. no. 518; *Nasional*, 19 November 1958. On 27 May 1957, Nasution enacted a regulation to supervise property, followed by a 21 June 1957 regulation on the confiscation of materials gained through unlawful acts. A series of regulations was enacted throughout the period: on 16 October 1957, a regulation on the supervision of property owned by the military rulers and other state officials; on 28 October 1957, on the formation of a supervision team and its work programme and the guidelines for supervisors of property; on 16 December 1957, on the selling and limitation of use of confiscated materials; on 18 March 1958, on the supervision of the circulation of essential items; on 16 April 1958, on the investigation and prosecution of corruption and supervision of materials; on 14 May 1958, on the formation of a Coordination Body on Property Investigation; and on 9 August 1958, on the supervision, limitation of use, and sale of confiscated property. The Committee on Corruption Eradication finally created the Property Investigation Unit on 12 June 1959.

47 With the exception of Central and South Sumatra, Sulawesi, the Moluccas, and West Irian.

Koordinasi untuk Penjelidikan Kekayaan dan Harta Pribadi, BKPKHP) Because of the novelty of the entire approach, there were major difficulties to be overcome.[48]

The BKPKHP created an inventory of the property of civil servants and state organizations. The law forced people to disclose land, houses and other property purchases, and wealth.[49] Dozens of corruption cases had been brought to the courts by the end of 1959. Yet, it was also quite clear that the effects were rather disappointing.[50] The military ruler had decreed the need to create a list of trustworthy companies that should be screened regularly and controlled by the Ministry of Finance and Trade (Kementerian Keuangan dan Perdagangan). The military ruler also saw the need to create financial supervision posts in each department and at the provincial and lower levels of government. The final regulation stipulated the formation of a Committee on Government Employee Rules (Panitya Negara Perantjang Undang-undang Kepegawaian) in an effort to stop civil servants from taking part in business and party politics. These anti-corruption efforts paved the way for the formation of the National State Apparatus Retooling Committee (Panitia Retooling Aparatur Negara, Paran).[51]

Despite this flurry of institution-building, army corruption expanded, linked to its takeover of the economy and the administration. A notable case included Suharto's demotion from his position as head of the Diponegoro Division on charges of corruption. Yet, for the most part, Nasution's institutional campaign failed.[52] Nasution did not have the fortitude to push through his anti-corruption campaigns against army colleagues. He was also under attack from the communists, especially in the early 1960s, who accused these institutions of building a power base for him for an eventual takeover. In any case, his efforts to assert his presence within the Guided Democracy state in institutions that he had built up were thwarted by President Sukarno, who replaced

48 NAA, Indonesian Corruption (1956–1970), A1838.

49 Pemberantasan Korupsi, Kabinet Perdana Menteri Republik Indonesia, Jakarta, 20 May 1960, ANRI, Perdana Menteri Republik Indonesia, inv. no. 518.

50 Pemberantasan Korupsi, Kabinet Perdana Menteri Republik Indonesia, Jakarta, 20 May 1960, ANRI, Perdana Menteri Republik Indonesia, inv. no. 518. The results for 1959 were: forty-eight cases in West Java, ten cases in Central Java, twenty cases in East Java, 292 persons required to give property details in Jakarta, nine cases in West Kalimantan, four cases in Aceh, and nine cases in North Sumatra. The Regional Military Government (Komando Distrik Militer or Territorium) handled these corruption cases.

51 Laporan Panitia Retooling Aparatur Negara, ANRI, Bapekan, inv. no. 345.

52 He did take action against Colonel Ibnu Sutowo for smuggling in Tanjong Priok; see *Harian Rakjat*, 7 January 1959.

Nasution's institutions with ones controlled by himself and appointed Ahmad Yani in 1962 to replace Nasution as head of the army.[53]

4 Officer Education

Army training had been conducted since the early years of independence. The National Military Academy (Akademi Militer Nasional, AMN) opened on 28 October 1945 in Yogyakarta and was the first of its kind. Its curriculum was modelled on the basic training of *shoodan-tyoo*, or platoon training, during the Japanese occupation.[54] Complementing the colonial state's military academy in Bandung, the Royal Military Academy (KMA) was founded in 1940. On the Republican side, a school for officers opened in Malang, although it closed in 1948 after the Second Dutch Military Aggression. In 1953, a committee was established to design a complete military academy. This finally opened on 1 September 1957 as the AMN in Magelang, Central Java.[55]

In terms of staff and command schools there were two other academies, and these were more important to elite creation. The first was the Tjandradimuka School, which focused more on the ideological education of army officers; the second was the Staff and Command School (Sekolah Staf dan Komando Angkatan Darat, SSKAD). Both were located in Bandung. President Sukarno was a frequent lecturer at Tjandradimuka, a school that aimed to foster the spirit of the 1945 revolution. The school was built in 1951 under the directorship of Colonel Bambang Supeno, an ex-PETA officer. Tjandradimuka's nationalist and Javanese-oriented stance contrasted with SSKAD's social-democratic and PSI-dominated orientation. The school was considered by Nasution and Simatupang to be the centre of agitation against military modernization and they succeeded in closing it down in 1952.[56]

The SSKAD was founded on 17 October 1951 and aimed to equip future army officers with modern skills, including scientific administration, military analysis, and organizational know-how. Hatta made the needs of the

53 Abdul Harris Nasution, *Memenuhi Panggilan Tugas*, Jilid V: *Kenangan Masa Orde Lama* (Jakarta: Gunung Agung, 1985), 214. 'Yani gradually ended the autonomous position of the army and brought the head of the army directly under the authority of Sukarno and, later, as pioneered by the police, ensured that the army was obedient to the whims of Sukarno "without reserve".'

54 *20 Tahun Indonesia Merdeka*, Vol. III (Jakarta: Departemen Penerangan, 1965), 217.

55 *National Military Academy* (Jakarta: Kementerian Penerangan, n.y.), 5.

56 Utrecht, *The Indonesian Army: A Socio-Political Study*, 41–6.

post-revolutionary army clear: 'The revolutionary period needs officers with flaming passion, burned by the dream of fighting and independence. In this period, bravery is rewarded more than capability [...] Often, assertiveness in action is more precious than the ability to estimate strategies and tactics in a thorough manner.'[57] After the revolution, 'aside from passion and assertiveness, the capability to weigh and decide, based on military knowledge, strategy, tactics, and knowledge of society is needed'.[58]

By 1953, around 129 officers were being educated in the Netherlands.[59] Others went to Fort Leavenworth, Kansas and Fort Benning, Georgia, in the United States. After 1954, the Netherlands wound down Indonesian attendance at its military academies, with the last Indonesian cadet leaving in 1957.[60] In the same year, plans were laid for a command and staff college along the lines of Fort Leavenworth. SSKAD instructors went to the United States, Great Britain, Yugoslavia, and the Middle East to study the command and staff colleges there. In 1959, the SSKAD was renamed Seskoad.[61] By the early 1960s, people were also being sent to study in the USSR, Yugoslavia, Pakistan, and China.

In the initial years, the army relied heavily on the NMM as the main source of technical and tactical training. This included many of the teachers at the SSKAD. The nationalists and ex-PETA members were suspicious of the fact that the roles of instructors and teachers were being taken by former Dutch and KNIL enemies.[62] Early in 1951, Simatupang reiterated why the NMM might not

57 *Buku Peringatan Lustrum Ke I SSKAD, 17 Nopember 1951–17 Nopember 1956* (Bandung: SSKAD, 1956), 6. 'Masa revolusi menghendaki perwira yang semangatnja berapi-api, dibakar oleh tjita-tjita perdjuangan dan kemerdekaan. Dalam masa revolusi seringkali keberanian didahulukan dari ketjakapan, jang dianggap akan diperoleh berangsur-angsur didalam perdjuangan dan pertempuran. Seringkali ketegasan bertindak lebih berharga dari perhitungan strategi dan taktik jang dipikirkan dengan teliti.'

58 Of those 129 officers, twenty-nine went to the Royal Military Academy (Koninklijk Militaire Academie), sixty to the Royal Navy Institute (Koninklijk Instituut der Marine), and twenty-one to the Officer Reserve School (School Reserve Officieren); the rest went to a variety of schools and courses. Nota Menteri Pertahanan A. L. tanggal 26 Djanuari 1953, ANRI, Kabinet Presiden Republik Indonesia, inv. no. 1855.

59 Since 1951, a stream of Indonesian officers went to the United States and Western Europe, including the Netherlands, to finish their studies. In September 1951, twenty-seven Indonesian cadets went to the KMA in Breda. See Wim Cappers, 'Nasi goreng en negerzaad. De opleiding van de Indonesische cadetten aan de Koninklijke Militaire Academie'. *Armamentaria*, vol. 38. 2003-2004. 258-283.

60 The ending of the Dutch–Indonesian Union in 1956 was important in the ending of Indo-Dutch military cooperation. Cappers, 'Nasi goreng en negerzaad'.

61 Gregory, 'Recruitment and Factional Patterns', 301.

62 Part of Nasution's Five-Year Plan for the army was to end the military mission. He thought the NMM was an imperialist ploy to weaken the army. A. H. Nasution, *TNI* (Jakarta: Jajasan Pustaka Militer, 1956), 18–39. As far as the KL/KNIL side was concerned, the

be the most appropriate source of know-how: first, the Dutch did not have a deep knowledge and experience of military matters; second, there were psychological problems plaguing Indonesian–Dutch relations; and lastly, Indonesia's focus on defence was not in line with the more conventional warfare doctrine of the Netherlands.[63]

The NMM's role was to help Indonesia build up its army and it was paid to do so by the Indonesian government.[64] Before 1953, the NMM supplied the largest number of teachers for the college. Of the twenty-four teachers in total, six Dutchmen were permanent employees and twelve were temporary employees of the NMM. There were only three teachers from the Indonesian army and three civilian lecturers. By 1953, President Sukarno and the nationalists–left-wing coalition, alarmed by the 17 October 1952 affair, were pushing for the end of Dutch influence. In 1953, Indonesian teachers replaced all the NMM teachers.

The formal cessation of the NMM's involvement by March 1953 was followed immediately by overtures to Australia, Switzerland, West Germany, Sweden, and Norway to replace it. These proved unsuccessful and Indonesia then approached 'less neutral' countries such as the United Kingdom, the United States, and Canada but was equally frustrated. Attitudes in Indonesia had also become less positive towards foreign intervention in the military. By October 1953, however, the Australian embassy in Washington, DC had learned that the Americans had in principle agreed on the need for a Western military mission in Indonesia, although this had not resulted in a formal American military mission programme.[65]

By 1956, there were a total of fifty-six teachers at the SSKAD: five civilian lecturers, seventeen permanent lecturers, and thirty-four temporary lecturers. The permanent lecturers were either graduates of the SSKAD or from foreign

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feeling was mutual. The paternalistic attitude of the Dutch instructors did not help either. Hans Meijer, *Den Haag-Djakarta: De Nederlands-Indonesische betrekkingen, 1950–1962* (Utrecht: Het Spectrum, 1994), 391–3.

63 T. B. Simatupang, 'De Nederlandse Militaire Missie', translated from Indonesian, *Perwira*, 5 (1951), 182; NA, Ministerie van Buitenlandse Zaken, Hoge Commissariaat Bandung, 1950–1957, inv. nos. 563–573.

64 Nota omtrent de ontwikkeling van zaken in Indonesië in zoverre de verhoudingen binnen de Nederlands-Indonesische Unie en de belangen van Nederland daarbij betrokken zijn, Ministerie voor Uniezaken en Overzeesche Rijksdelen, Afd. Wetgeving en Juridische Zaken, no. 1, 's-Gravenhage, 23 Mei 1950. De Minister voor Uniezaken en Overzeesche Rijksdelen, J.H. van Maarseveen, NA, The Hague, Ministerie van Buitenlandse Zaken, Hoge Commissariaat Bandung, 1950–1957, inv. nos.: 556–566.

65 East Indies–Australian Educational and Cultural Interest in Indonesia, 1946–1951, Appendix B, Australian National Archives, Military Mission to Indonesia, A1838.

institutions such as the Higher School for Warfare (Hogere Krijgsschool, HKS) in the Netherlands or Fort Benning and Fort Leavenworth in the USA.[66] Much of the curriculum focused on military themes, including military law, military administration, tactical knowledge, use of artillery, military geography, military history, the maintenance of military technology, and so on. In 1956, out of a total of 2,210 classroom hours, 136 were dedicated to general knowledge, in particular political science, sociology, anthropology, and economics. Prior to 1956, only political science was taught. In the same year, military management was introduced.[67] Between 1953 and 1958, six classes with curriculum B courses ran, with 357 officers attending. In March 1958, a new curriculum called the C-1 course was inaugurated, which had three classes and sixty-four attending officers.[68] With the implementation of the C-1 course, socio-political themes expanded to fill 50 per cent of the curriculum.[69] This copied the curriculum of the American military staff and command school at Fort Leavenworth,[70] with its eight teachers translating the field manuals, advanced sheets, and lesson plans for the SSKAD.[71]

In 1961, Seskoad opened up to non-military students from the Ministries of the Interior (Kementerian Dalam Negeri), Foreign Affairs (Kementerian Luar Negeri), Immigration (Dirjen Imigrasi), the Attorney General's Office (Kejaksaan Agung), the State Administrative Institute (Lembaga Administrasi Negara, LAN), and other institutions.[72] There was greater inclusion of the social sciences and cooperation with other learning institutions, including the Higher Learning Institute for Police Science (Sekolah Tinggi Institut Ilmu Politik), and the political and social science faculties of Gadjah Mada University in Yogyakarta (since 1960), the Economics Faculty of the Universitas Indonesia (Fakultas Ekonomi Universitas Indonesia, FEUI) in Jakarta, and Padjadjaran University in Bandung (since 1962). A political science course on state defence

66 Wilujo Puspojudo, 'Perkembangan SSKAD', in *Buku Peringatan Lustrum ke I SSKAD* (n.p.: n.n, n.y.), 35.

67 Puspojudo, 'Perkembangan SSKAD', 36–7.

68 'Sedjarah Perkembangan Sekolah Staf dan Komando Angkatan Darat', *Karja Wira Djati*, 9/31 (July 1969), 9.

69 Gregory, 'Recruitment and Factional Patterns', 302.

70 Gregory, 'Recruitment and Factional Patterns', 302. Course C also expanded work of the Seskoad from purely educational to research and development.

71 'Perkembangan dan Kegiatan Seskoad sedjak Didirikan hingga Sekarang', *Karja Wira Djati*, 9/31 (July 1969), 40–1.

72 'Sedjarah Perkembangan Sekolah Staf dan Komando Angkatan Darat', 11. This was within the Defence Issue Orientation Course, which had four classes between the years 1961–1964.

was taught at Padjadjaran University.[73] From 1961, the experiences of the Mandala and Bhakti operations were used as case studies,[74] as well as the anti-guerrilla policies in Malaya and China and Yugoslavia's territorial warfare.[75] The civic action part of the curriculum was strengthened.[76] The Seskoad would play a central role in defining the civilian-military relationship and policy.[77] The school thus had the important social functions of unifying the perspective of army leadership and creating an 'old boys' network.[78]

Nasution's second appointment as army chief of staff on 27 October 1955 gave the impetus for a stronger relationship between the SSKAD and other Staff and Command schools in many countries. Although the United States of America became one of the most important foreign centres for army training, with around one quarter of the army officers getting some education in American schools, Nasution was very eager to find places for SSKAD graduates at other army training schools. His trips abroad in the second half of the 1950s brought possibilities for expanding the educational experience of the army, including to the USSR's Frunze Academy, the Fuhrungsakademie des Bunderswehr in West Germany,[79] and the British Imperial Defence College.[80]

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73 'Perkembangan dan Kegiatan Seskoad sedjak Didirikan hingga Sekarang', 53.

74 The Mandala operation was Indonesia's first forward intrusion into enemy territory as part of the military campaign against Dutch forces in West Papua inaugurated in 1961. The Bhakti operation was the locally based Civic Action programme conducted by the Siliwangi Division under General Ibrahim Adjie.

75 The territorial concept of Lieutenant General Dushan Kveder of Yugoslavia was published in *Foreign Affairs* magazine in October 1953 and *Military Review* magazine in July 1954. It was translated by the SSKAD at the end of the 1950s and was published in Indonesian in the army magazine *Territorial* in June 1961.

76 'Perkembangan dan Kegiatan Seskoad sedjak Didirikan hingga Sekarang', 46.

77 Between 1959 and 1966, Seskoad organized seven important seminars discussing Indonesia's military doctrine and its relation to the state and society. These included the First Seminar on Military Issues (1959–1960); the Second Seminar on Military Issues (January 1962); the First Army Seminar on the Tri Ubaya Cakti Doctrine (April 1965); and, lastly, the Revision Seminar on the Doctrine Tri Ubaya Cakti (August 1966). There was also a seminar on Civic Mission in July 1967, on Infantry doctrine in July 1968, and a pre-seminar on the Indonesian intelligence doctrine in February 1969.

78 Charles Donald McFetridge, 'Seskoad: Training the Elite', *Indonesia*, 36 (October 1978), 87–98.

79 This is where Sumitro, the important early New Order general, received his education. Saleh As'ad Jamhari, Sugiharta Sriwibara and Ramadhan K. H., *Perjalanan Seorang Prajurit Pejuang dan Profesional: Memoir Jenderal TNI* (*Purn.*) *Soemitro* (Jakarta: Sinar Cakra Sakti, 1999), 11.

80 Nasution, *Memenuhi Panggilan Tugas*, Jilid V, 59 and 147–60.

Aside from the Seskoad, there was another school that was highly important to the creation of the army elite. This was the Military Law Academy (Akademi Hukum Militer, AHM), which was initially founded to offer a legal course for military personnel between May 1951 and June 1952. Nasution issued the order to form a Military Law Academy and appointed the general secretary of the Ministry of Defence (Kementerian Pertahanan), Ali Budiardjo, to head its formation.[81] In the whole of the 1950s, only two generations graduated. The first group started their studies in September 1952, but due to the 17 September coup-like event and the havoc it wreaked throughout the military the cadets did not finish their two-year courses in less than four years.[82]

A second batch of students was enrolled in September 1954, but they did not finish their courses until 1960. This group had an even more interesting side job: helping to manage the nationalization of Dutch-owned companies.[83] Many, like Major General Soekamto Sajidiman (who would play an important role in nationalizing the large trading firm Jacobson van den Berg into the state-owned company Juda Bhakti),[84] Lieutenant Colonel Soedjiwo, and Lieutenant Colonel Sukotriwarno[85] would continue their managerial roles after their military roles and ease themselves into longer careers in the business sector.[86] The extent to which alumni of the Military Law Academy played a role in the nationalization is unclear. According to Sajidiman, he and his 'classmates from the Military Law Academy were instructed by the government to take over Dutch-owned corporations for the purpose of nationalization'.[87] A commemoration booklet for the academy was sponsored by advertisements for various state-owned corporations, indicating the extensive spread of the cadets into state-owned businesses.[88]

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81 D. Djiwapradja and E. Soewarna, *Buku Peringatan Tudjuh Tahun Akademi Hukum Militer* (Jakarta: Akademi Hukum Militer, 1960), 27.

82 Djiwapradja and Soewarna, *Buku Peringatan Tudjuh Tahun*, 35.

83 Djiwapradja and Soewarna, *Buku Peringatan Tudjuh Tahun*, 35.

84 Soekamto Sajidiman, *The Tender Power. An Autobiography* (Jakarta: Grafikaria Utama Sakti, 1978), 44.

85 O. G. Roeder, *Who's Who in Indonesia* (Jakarta: Gunung Agung, 1971), 388–9 and 404.

86 For more on military business, see Bambang Purwanto, 'Economic Decolonization and the Rise of the Indonesian Military Business', in J. Thomas Lindblad and Peter Post (eds), *Indonesian Economic Decolonization in Regional and International Perspective* (Leiden: KITLV Press, 2009), 39–58.

87 Sajidiman, *The Tender Power*, 44. 'Aku ditugaskan oleh Pemerintah untuk mengoper perusahaan Belanda bersama rekan-rekanku lainnya dari Akademi Hukum Militer dalam rangka nasionalisasi perusahaan2 Belanda.'

88 Djiwapradja and Soewarna, *Buku Peringatan Tudjuh Tahun*. Including Juda Bhakti (formerly Jacob van den Berg), Indevitra (formerly Borsumij), Ralin (formerly Philips), Satya Negara (formerly Internatio), and so forth.

Like the Seskoad, the Military Law Academy was reliant on lecturers from Indonesia's major universities. Professor Djokosoetono, the University of Indonesia's legal specialist, was appointed as head of the teaching board. FEUI economists Tan Goan-Po and Widjojo Nitisastro taught economics, Soediman Kartohadiprodjo taught introductory law, Satochid Kartanegara taught criminal law, and Hazairin Adat, general law. Pieter Nicholaas Drost and Hendrik Jan Heerens were the only Dutch professors who taught at the academy, lecturing on international law and sociology, respectively.[89] Many of the cadets at the academy and at the SSKAD/Seskoad not only had regular contact with professors and lecturers, especially from the UI, but also continued their educations, either at a university or through further courses (for instance, the management courses that were to become common in the latter part of the 1950s). Thus, they would not only be destined to meet in the classrooms but also in boardrooms and on government committees.

5 Guided Democracy and the Army

The civilian political elite and the military elite translated the concept of Guided Democracy in very different ways. Although the ideas of efficiency, modernity, and the use of technical and managerial know-how were voiced by both these groups, the politicians never saw themselves as the primary executors of the technical details. If they did, this idea was immediately dashed by the failure of the Eight-Year Overall National Plan introduced in 1960 and the deep economic malaise that set in in 1962. The military elite, meanwhile, because of their stronger corporate sense and more 'technocratic' education, expanded into civilian jobs without concerns about the primacy of technical know-how. General Suwarto, commander of the Seskoad, summed this up succinctly: 'De wereld van amateurisme is al voorbij.'[90]

The army's *crème de la crème* had no qualms about experts and expertise. Unlike the politicians, many military officers were trained in technical fields and were open to educating themselves further, either at educational facilities in Indonesia or abroad. When the army expanded into the administration of government entities and companies, opportunities in civilian educational institutions opened up. Traditionally, military officers were trained in various

89 F. X. Sunatra, 'Beberapa Soal tentang Text-Book Thinking', in Djiwapradja and Soewarna, *Buku Peringatan Tudjuh Tahun*, 88.

90 Suwarto, *Himpunan Karangan Djenderal Anumerta Suwarto* (Bandung: Karya Wira Jati, 1967), 16. 'The world of amateurism is already over.'

technical fields such as engineering, medicine, and administration, but by the early 1960s, the employment of economists, sociologists, psychologists, and other social scientists was considered as standard in civilian engagement. This can be seen, for instance, in the use of sociologists and economists by the Army Rapid Strike Force (Resimen Pasukan Komando Angkatan Darat, RPKAD) during the West Irian infiltration campaign.[91] Similarly, the Staff and Command School was opening the door to the social sciences.[92]

Rudolf Mrazek contends that there was a bifurcation of the Indonesian military elite that started in the late 1950s but had become especially pronounced by the 1960s. This bifurcation was a result of the expansion of help with military training from various US military colleges, and the establishment of a new military doctrine and a new military elite with striking units that had a more outward, offensive spirit than Nasution's territorial ideas. The mid Guided Democracy period, the years 1962 and 1963, were a watershed of major importance. As we will see, these were equally important years in the relationship between social science experts and the state, starting with the initially promising but latterly disappointing Economic Declaration (Deklarasi Ekonomi, Dekon).[93] This period saw hope for greater expert participation in national policymaking and planning. The rise of General Yani to replace General Nasution as army chief of staff was one of the pivotal points in this change. As a member of one of the army's strike groups, Yani had no qualms with publicly opposing military involvement in the state and the economy.

In Chapter 1, elite divergence was explained as a generational difference between the old, colonially educated intellectuals of the 1928 generation and the newer, American-educated experts of the 1945 generation. If we follow Mrazek's line of reasoning, the divergence among the military elite was one of educational experience and generational difference:

> Until the mid-sixties, the Indonesian army had been officered by the first generation of officers who had matured during the forties or before, and who were now reaching an age close to retirement. We know for sure that by the mid-sixties there served in the Army a great number of young officers trained either in the United States or elsewhere abroad, as well as several thousands of new Magelang Military Academy graduates.[94]

91 Kenneth Conboy, *Kopassus. Inside Indonesia's Special Forces* (Jakarta: Equinox, 2003), 71.

92 Pauker, *The Indonesian Doctrine of Territorial Warfare*, 28 and 37–41.

93 Simpson, *Economist with Guns*, 92; Eric J. Chetwynd, 'The Indonesian Stabilization Attempt of 1963: A Study in the Economics and Politics in Indonesia', Master's thesis, American University, Washington DC, 1965, 38–9.

94 Mrazek, *The United States and the Indonesian Military*, 142.

6 The Territorial Management Doctrine

The territorial doctrine would become the basis for the civic action programme and other military activities in civilian areas. As we saw above, Nasution began to formulate the doctrine during the Indonesian revolution. In 1958, Nasution appointed Commodore Siswadi and Colonel Soewarto, the PSI-leaning deputy commandant of Seskoad, to head an ad hoc committee for the development of the armed forces, which included the implementation of this doctrine.

The idea of a territorial doctrine lay in the concept of total warfare, one that incorporated the entirety of the nation within a defence strategy. This strategy was assumed to be the only means by which Indonesia could effectively defend its national interests in time of war. Because of the weaknesses of the military, the only way in which Indonesia could offer any effective form of resistance was through a guerilla-based strategy that utilized Indonesian society as part of its heavy warfare.[95] Many within the military elite assumed that there would be another catastrophic world war within their lifetime. Thus, war was to be waged as an economic, social, political, and even cultural offensive, instead of a merely military offensive. Mao Zedong's conception of the army as a fish and the people as water meant that it was important for the fish to have the support and control of the people. Kveder's idea of territorial warfare also leaned heavily on this assumption of mass control.[96]

It is not hard to see how total warfare would mean greater control of society by the military. An article in the magazine *Territorial* stated: 'We (the army) shall manage and we shall control so that they (the people) can be invited, moved, and deployed with their positive power in the general goal of state defence, security, and development.'[97] This was achieved through the expansion of military duties into civilian areas. Civic Action programmes were used by the military for rural population control and to limit the communist influence.

Civic Action was part of the army's idea of territorial management. The expansion of military leaders into nationalized businesses and the application of Civic Action happened before the formal announcement of the doctrine. Civic Action did legitimize, however, the position of army officers as the managers of companies, rural areas, and whole provinces. The army was transformed into a managerial elite and, in the process, its officers mingled with the nascent civilian managers. Because of the expansion of military jobs into the civilian field,

95 Pauker, *The Indonesian Doctrine of Territorial Warfare*, 11–17.

96 Pauker, *The Indonesian Doctrine of Territorial Warfare*, 34–7.

97 'Suatu Konsepsi Pembinaan Wilajah sehubungan dengan Perang Wilajah dalam rangka Pertahanan Nasional', *Territorial*, 1/2 (January 1962), 3.

organizations such as Seskoad followed suit and expanded their educational offerings, as the shift towards the C-1 course has shown. Thus, there was an inclination to connect young army officers with young, American-trained social science experts in order for them to share ideas. This idea of military-cum-civilian managerial elite control runs counter to the Guided Democracy's focus on the societal incorporation of the intellectual politician within the leadership. Instead, education fostered the creation of a military-civilian expert, thus creating a leadership that saw control as more important than incorporation.

The idea of military men as managers was legitimized through publications. Magazines like *Manager* and *Fortuna*, both targeting an audience of nascent professional managers, were very accommodating to the voices of military managers. Nasution and Ibrahim Adjie, for instance, wrote various pieces for these magazines.[98] The magazines themselves discussed Civic Action and other military managerial programmes without a hint of suspicion. Likewise, army-issued magazines, such as *Karya Wira Djati* and *Territorial*, offered space for expert civilian managers to discuss management issues, including military management ones.

Territorial control, like its civilian managerial counterpart, thus required mass control: '[W]e must control mass opinion in our effort to develop our national morals.'[99] Terms such as *psy-war* were bandied about in military articles on Indonesia. Counter-insurgency tactics used methods to effectively counter or reduce the hostility of the population in enemy territory. The military managers needed to implement several basic elements within their territory: the management of the ideology and psychology of the community; the management of the social, economic, political, and logistical issues of the community; the management of the human mindset as the subject of people's resistance; the management of the government in times of war or danger; and the implementation of a special rural development programme.[100]

Territorial management was an important subject for army leaders like Nasution, but this conflicted with Sukarno's efforts to use the military for his foreign policy. In this regard, it is important to understand the shift in power from Nasution to Yani and the shift in doctrine from territorial to Tri Ubaya Cakti. Under attack from both Sukarnoists and the communists, civilian

98 For instance, A. H. Nasution, 'Kata Sambutan', *Manager*, 4/36 (April 1963), 4–9; Ibrahim Adjie, 'TNI dan Civic Mission', *Manager*, 4/36 (April 1963), 10–15.

99 'Suatu Konsepsi Pembinaan Wilajah', 8. '[…] kita harus mengendalikan opini masa untuk ditudjukan ke arah pembentukan moril nasional jang tinggi dengan semangat melawan jang berkobar-kobar.'

100 'Suatu Konsepsi Pembinaan Wilajah', 4–27.

experts and military managers alike sold the territorial doctrine as one that could support the Guided Democracy's development plans.

7 American Influence and Its Counter-balance

The new generation that had had a foreign military education understood the territorial doctrine and had the technical capabilities that would result in a further bifurcation of the military elites. Before 1958, some 250 Indonesian officers had been trained in the United States. Another five hundred officers were trained between 1958 and 1962. The spike between the years 1962 and 1964 was significant, with more than three thousand military officers going to the United States for further training. The total number of officers with American exposure was thus around four thousand, a very significant proportion within the armed forces.[101] Many officers had been educated at Fort Leavenworth, which supported a social scientific approach to counter-insurgency.

The military's strike groups – including the Army General Reserve (Tjadangan Umum AD, or Tjaduad, later Kostrad); the Army Special Command (RPKAD, later Kopassus); the Police Mobile Brigade (Brigade Mobil, Brimob); the Marines (KKO); the Flying Corps; and the Special Air Force Group Airborne (Linud) – had had a different educational experience. They had learned technical skills and the latest counter-insurgency methods applied in the Vietnam War. The Indonesian military elite aimed to make the country's strike units comparable to American ones, borrowing the American Pentomic doctrine.[102] The United States Senate Committee responsible for aid to Indonesia heard the testimonies of experts who 'consider[ed] the Indonesian army as one of the most skilful in the world at small unit operations in swamps and jungles'.[103] American assistance also came in the form of providing Indonesian strike units with some of the latest US military gadgets. This strike force elite grew to differentiate themselves from the territorial elite, because they considered the territorial elite to be slothful, corrupt, and wealthy because of their civilian assignments. At the same time, the territorial officers were jealous of the para-command units and their better equipment and greater prestige.[104]

101 Peter Dale Scott, 'Exporting Military-Economic Development: America and the Overthrow of Sukarno, 1965–1967', in Malcolm Gladwell (ed.), *Ten Years Military Terror in Indonesia* (Nottingham: Spokesman Books, 1975), 236; Ruth McVey, 'The Post-Revolutionary Transformation of the Indonesian Army: Part II', *Indonesia*, 13 (April 1972), 169.

102 Kostrad by 1965 was headed by then Brigadier-General Soeharto.

103 Mrazek, *The United States and the Indonesian Military*, 83–4.

104 Mrazek, *The United States and the Indonesian Military*, 46.

It would be too hasty to conclude that the difference between these elites was profound. Differences between the army, navy, air force, and police had bigger consequences in the later New Order period. Ernst Utrecht interprets the relationship differently. He divides the elites into 'Field Officers' and 'Managers' and, accordingly, defines their relationship as one of mutual symbolism rather than the antagonistic competition implied by Mrazek. The managers provided the para-commanders with the money to operate their units and also to indulge in the lifestyle of the elite.[105] The expansion of the 'experts' developed along two general lines: a pinnacle level of professional scientists whose duty was to design national policies and plans, and a middle level of managers whose duty was to run the government offices and state-owned factories.

The relationship between the Indonesian army, American-educated intellectuals, and their American counterparts has been a leitmotif of leftist Cold War literature on the CIA. This was perhaps most succinctly expressed in David Ransom's paper, which coined the term the 'Berkeley Mafia', the name given to the economic technocracy that engineered much of the New Order's economic policies.[106] Such an analysis tends to overlook the weaknesses of the pro-American factions, especially the American-educated economists and social scientists and, by 1964, the despair of the US State Department's Indonesian planners, as Sukarno lurched towards intensifying the friendship with Maoist China.

One of the most important individuals in this relationship was Guy Pauker. He collaborated on a report funded by the Council on Foreign Relations, published in 1959, that saw the Indonesian army as 'among the most capable leaders of Indonesia'.[107] Pauker had first visited Indonesia in 1954 as researcher with the Ford Foundation-MIT Modern Indonesia project. In 1958, he became a RAND consultant whose role was paid for by the CIA. In 1959, he took up residence as chairman of Berkeley's Department for South and Southeast Asian Studies. In his role at Berkeley, he formed good relationships with not only Sumitro Djojohadikusumo but also Widjojo Nitisastro and Mohammad Sadli. He also grew close to Nasution and the commander of Seskoad, Colonel Soewarto.[108]

105 Utrecht, 'The Indonesian Army as an Instrument of Repression', 61.

106 Ransom, 'The Berkeley Mafia'.

107 Scott, 'Exporting Military-Economic Development', 219.

108 Scott, 'The United States and the Overthrow of Sukarno, 1965–1967', *Pacific Affairs*, 58/2 (Summer 1985), 247–8.

Peter Dale Scott reasons that Pauker was central to the introduction of the dual function of the military and that he persuaded Nasution to convince Sukarno to let the army participate in the government and the economy. There is no doubt that the ideas of military development were, in part, inspired by American thinking, yet thoughts about the *dwifungsi* had already clearly been part of Sukarno's corporatist idea and Nasution's revolutionary manual. On 30 August 1956, an ad hoc committee was created, headed by Colonel Azis Saleh, to study the ways in which the Indonesian National Armed Forces (Tentara Nasional Indonesia, TNI) could participate in the development of the state.[109] In 1958, Nasution set up the Committee on Army Doctrine (Panitya Doktrin Angkatan Darat), headed by Lieutenant Colonel Suwarto and Colonel Mokoginta, which would result in the introduction of the army doctrine of Territorial Warfare (Perang Wilayah).[110]

The United States played a key role in the rise of Civic Action, especially in its 1960s ' form. In 1962, Pauker invited Soewarto to the RAND Institute to show him how RAND organized the 'academic resources of the country as consultants'. At the same time, the Ford Foundation provided a $2.5 million grant for training courses. David Ransom pointed out that the Ford Foundation used their contacts at the FEUI to influence officers within the Seskoad. By 1962, University of Indonesia economists were regularly visiting the Seskoad, where they taught the 'economic aspects of defence' and would discuss the national situation, sometimes late into the night.[111] According to Pauker, after Suwarto's visit to the RAND Institute, he appointed four or five economists as the army's high-level civilian advisers. According to Robert Shaplen,

> The task of Suwarto and his staff [...] was to convince as many as possible of the army's 150 general officers and 400 colonels that it was their responsibility to maintain the delicate balance between the representative democratic principle, which makes parties and policemen a 'necessary evil' in any polity, and the corporatist principle which gives the army the means to participate in the government without creating a military dictatorship.[112]

109 *Duta Masyarakat*, 30 August 1956.

110 Sundhaussen, *The Road to Power*, 138.

111 David Ransom, 'Ford Country: Building an Elite for Indonesia', in Steve Weissman (ed.), *The Trojan Horse. A Radical Look at Foreign Aid* (Palo Alto: Ramparts Press, 1975), 101–4.

112 Robert Shaplen, *Time Out of Hand. Revolution and Reaction in Southeast Asia* (New York: Harper & Row, 1969), 146.

There is no doubt that the army had a close affinity with the United States, but, as among the wider Indonesian elite, there was a degree of suspicion towards it. Nasution was always looking for potentially useful doctrines and curricula among those used by other nations. Chinese and Yugoslavian materials were translated and used. The territorial doctrine was also inspired by Mao Zedong's interview with Edgar Snow in *Red Star Over China* and the army's experiences in the revolutionary war.[113] According to Suwarto, the article 'Territorial War: The New Concept of Resistance', written by the Yugoslavian general Dushan Kveder, was very influential, with an Indonesian translation available at the Seskoad from 1958; the officers were also required to read Vladimir Dedijer's 'Tito Speaks' and other translated Yugoslavian texts.[114] It was planned that by 1965, the army would use Indonesian doctrines for 60 per cent of its curriculum; in 1964, it was stipulated that all departments that focused on doctrinal research and development would be assigned an officer who had graduated from the Soviet Frunze Academy as a counterbalance to the American influence.[115]

8 The Military Strike Force and the Shift in Military Doctrine (1962–1965)

During the revolutionary war, the TNI had used both guerrilla and counter-insurgency tactics. This two-method approach was rare amongst the experiences of twentieth-century independent revolutions. Guerrilla warfare, with its unique command-and-control structure, is inherently decentralized, lessening the control of the centre, while counter-insurgency tactics tend to increase the degree of control of local military leaders at the expense of both local political leaders and the centre. The tendency on both accounts is to weaken the central command structure of the army and enhance control by regional and local army commanders.[116]

David Kilcullen has argued that the expanding political influence of the TNI during the period 1945–1965 was the result of a continuous but uneven development and deployment of TNI's insurgency/counter-insurgency measures.[117] However, the control of local territories had its roots as far back as the Japanese

113 Pauker, *The Indonesian Doctrine of Territorial Warfare*, 8–9.
114 Pauker, *The Indonesian Doctrine of Territorial Warfare*, 34–7.
115 'Perkembangan dan Kegiatan Seskoad sedjak Didirikan hingga Sekarang', 52–3.
116 Kilcullen, 'Military Operations in Indonesia', 6.
117 Kilcullen, 'Military Operations in Indonesia', 27.

occupation. Although strike forces had existed much earlier, the early 1960s were a watershed in the Guided Democracy. The development of a military-wide strike force, the Army General Reserve, in 1963,[118] which functioned as an umbrella force composed of selected battalions of various strike groups, was a culmination of the shift in military emphasis from territorial commands to strike groups.

Hidajat Moekmin, writing after the fall of the Guided Democracy, said:

> Without declaring the reasons, the (active and free foreign) policy was silently left behind. It was then replaced with the politics of confrontation and political axes. Not satisfied, they wanted the defence policy to follow the confrontation policy. Without understanding the requirements, they forced a change to the defence policy so that it would be more 'offensive-revolutionary', a term that is often used more to refer to the fighting spirit (*semangat*) than the facts. These opportunists were everywhere, even within the armed forces. This group was always searching for personal aggrandizement by proclaiming themselves to be the most revolutionary, discrediting the Territorial Doctrine as a worn-out concept that was not revolutionary, and suggesting that it should be replaced with something new.[119]

The period after 1960 also saw the development of a specific military doctrine within the Seskoad that would result in the creation of the Tri Ubaya Cakti doctrine expounded in 1965.[120]

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118 This was the embryo for the Kostrad, an important, influential para-military unit during the New Order.

119 Hidajat Moekmin, 'PKI versus Perang Wilajah. Penilaian Kembali suatu Doktrin', *Karya Wira Djati*, 6/21 (1966), 13. 'Tanpa menjebutkan setjara djelas sebab2nja maka politik ini kemudian ditingalkan. Itupun setjara diam2 sadja. Selandjutnja diganti dengan Politik Konfrontasi dan Politik Poros. Tidak terbatas hanja sampai sekian mereka menghendaki agar djuga Politik Hankam disesuaikan dengan Politik Konfrontasi itu. Tanpa melihat persjaratan jang ada mereka mengusahakan agar politik Hankam kita dibuat lebih "offensive-revolutioner", kata2 jang sudah terlalu sering hanja diisi dengan semangat daripada kenjataan. Golongan opportunis dengan "pamrihisme" memang ada dimana2, djuga dalam tubuh AD sendiri. Golongan inilah jang selalu berusaha mentjari "grandeur" pribadi dengan menepuk dada bahwa mereka jang paling revolusioner dan mentjap Konsep Perang Wilajah sebagai konsep jang using, jang tidak revolusioner dan harus diganti dengan Doktrin jang sama sekali baru.'

120 'Sedjarah Perkembangan Sekolah Staf dan Komando Angkatan Darat', 13.

9 Strike-Force Units

The most important strike force of the army was the Army Rapid Strike Force, which was created by the Siliwangi Division under Colonel Alex Kawilarang. On 16 April 1952, Kawilarang formally authorized the establishment of the Command Unit (Kesatuan Komando, Kesko). In early January, the Kesko unit was transferred by central command to be under the direct authority of the army chief of staff. On 18 March, it was rechristened the Army Command Corps (Korps Komando Angkatan Darat, KKAD). On 25 July 1955, the Army Command Corps was upgraded to the Army Commando Force Regiment (Resimen Pasukan Komando Angkatan Darat, RPKAD). After the success of ending the PRRI/Permesta rebellion in February 1958, educational assistance for the army was offered by both the US and England, in an effort to mend the relationship between Jakarta and the rebellions.[121]

The American Special Forces model was very different from what had existed in Indonesia. The Indonesian model was based on 'self-sustained units that performed unconventional tasks for long periods far behind enemy lines'. The units were intended to win the hearts and minds of the people and included an interpreter and a medic to help the villagers. Each unit included four combat engineers to assist in demolition duties, two doctors, two social scientists, and an economist, and was called a Special Forces Detachment (Detasemen Pasukan Chusus, DPC).[122]

The shift in assistance and funds towards training mobile forces represented a shift of attitude among the elites away from the concept of territorial forces. As Mrazek contends, '[T]hus the development after 1958 and during the early sixties left its deep imprints in the structure and ideology of the Indonesian armed forces. While before 1958 the mobile striking units represented only very small islands in the vast sea of the territorial army, during the early sixties they acquired in many aspects a decisive position in the Indonesian military establishment.'[123] An important development that mirrored other areas of the military elite was the use of social scientists as a viable part of military missions.[124]

With the change from the pro-Territorial General Nasution to the pro-Mobile Force General Yani as Sukarno's chief of staff, the ideological shift towards an offensive military policy became more pronounced. Yani had

121 Conboy, *Inside Indonesia's special forces*, 13–27.
122 Conboy, *Inside Indonesia's Special Forces*, 86–7.
123 Mrazek, *The United States and the Indonesian Military*, 45.
124 Conboy, *Koppasus. Inside Indonesia's Special Forces*, 86–7.

received military training in Tokyo during the Japanese occupation. He was also among the first Indonesian officers to attend the Command and General Staff School at Fort Leavenworth in 1955. Before returning to Indonesia, he took a two-month course on special warfare in England.[125] Nasution appointed him chief of operations and then deputy director of intelligence. Under him, American-trained officers were given the most influential positions within the staff and command. It was, of course, ironic that as Nasution was being removed from office, the Americans were fully backing his territorial doctrine because they believed that a military focus on population capture was much more in line with the idea of stamping out communist influence.[126] The aggressive doctrine espoused by the mobile-force elite was a cause for concern, since it destabilized the domestic situation, something which the communists could take advantage of.[127]

The rise of Ahmad Yani and his outward-looking, aggressive stance was in line with Sukarno's views and his increasingly agitated policy towards the Dutch presence in West Papua. With massive Soviet help, the military, especially the navy and air force, was equipped with impressive hardware, the likes of which were non-existent in any other Southeast Asian country. By 1962, the Soviet Union had provided hundreds of tanks, armoured personnel carriers, artillery pieces and guided missiles, jets and fighter bombers, and ships. Indonesia felt far more prepared to make the move towards an offensive strategy against the Dutch, which was a noticeable difference to the guerrilla warfare that had been Indonesia's default strategy during the revolutionary war.

10 Tri Ubaya Cakti

The declaration of the Tri Ubaya Cakti doctrine was made during a military seminar held at the president's request from 2 to 9 April 1965 at the Seskoad in Bandung. A total of fifty-one high-level officers, eighty-nine mid-level officers, and thirty-two civilian and military experts converged to discuss military doctrine.[128] The seminar was to cover three doctrines/issues: the military Karya, the revolutionary war, and the development of the potential for an Indonesian revolution. These discussions envisaged a new government programme

125 Soehardiman, *Kupersembahkan kepada Pengadilan Sejarah. Otobiografi Soehardiman* (Jakarta: Yayasan Bina Produktivitas, 1993), 210.

126 Mrazek, *The United States and the Indonesian Military*, 54–9 and 75–81.

127 Mrazek, *The United States and the Indonesian Military*, 42.

128 Moekmin, 'PKI versus Perang Wilajah', 7.

that would use the military in a creative-destructive (*penjebolan-penciptaan*) nation-building programme. The military was to harness total participation by the people within a specific offensive and defensive programme. Socially, culturally, and economically, the entire society was to participate in the protection of the nation-state.

This active call for the state to destroy elements within and without society was telling for subsequent state-society relations. Sukarno asked:

> What is the goal of our revolution, and what is the work that we want the revolution to accomplish? To destroy. Our revolution is to destroy and to plant. Now, if we think deeply, what is it that we must destroy? What we have to destroy and destroy right now is imperialism, colonialism, neo-colonialism, capitalism, all of which has been written in the preamble to our constitution.[129]

Such theoretical enemies were fleshed out as per the discussion at a previous Seskoad seminar. Discussions on territorial management as early as 1962 had highlighted the enemies of the state.[130] Ideologically, these were individualism and liberalism, international communism, religious fanaticism, atheism, isolationism, autarchy, and chauvinism. Politically, they were imperialism and colonialism, federalism and separatism, dictators, tribalism, and regionalism. Socio-economically, they were capitalism, feudalism, cosmopolitanism, negative foreign culture, reformism, conservatism, cynicism, and apathy.[131]

The state, through military coercion, was to root out the infiltration of foreign ideas in the minds of its populace. In order to achieve this, indoctrination programmes were devised to reach various sectors of society. Thus, the 'educated sector' of the population was to be indoctrinated through rational persuasions. The general public was to be seduced by material incentives. The

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129 In *Doktrin Perdjuangan TNI 'Tri Ubaya Cakti'. Buku Induk* (Malang: LP IKIP, 1965), 20. 'Apa tudjuan revolusi kita, dan jang kita kerdjakan dengan revolusi kita itu apa? Menggempur. Revolusi kita itu mendjebol kataku, dan menanam. Nah, kalo kita fikir benar2, revolusi adalah mendjebol; apa jang harus kita djebol, dan apa jang sedang kita djebol. Jang harus kita djebol dan jang sekarang kita djebol jaitu imperialisme dan kolonialisme, neokolonialisme dan kapitalisme, sebagaimana jang tertulis dalam kalimat jang pertama daripada preambul.'

130 The focus of these discussions was to debate and create regional operational, logistical, and management patterns, but eventually a much wider and intrusive population control at the individual level was discussed. The rise of the New Order Man must be attributed to the ideas discussed within these seminars.

131 'Seminar Seskoad Kedua, 3–8 Januari 1962', *Karja Wira Djati*, 2/8 (1962), 70–1.

orthodox groups were to be given informative seminars that would broaden their horizons, and the separatists would be corrected through political incentives. The major enemies of the state were thus defined as its own population: the educated person and his 'liberal and capitalist' tendencies, the general public and its 'communistic ideas', the orthodox group and its Islamic fanaticism, and the separatists and their wayward ideas of nationhood.[132]

The idea of a Total People's Defence (Pertahanan Rakjat Semesta) had been discussed in earlier seminars at the Seskoad and this envisaged a three-pronged approach towards defence: a conventional force consisting of the military, a non-conventional force consisting of a Civil Defence (Pertahanan Sipil or Hansip), and a People's Resistance Force (Perlawanan Rakjat). The Civil Defence would be organizationally under the head of state to ensure unity of command.[133] The roots of this strategy were derived from the total-warfare doctrine that the Japanese had introduced to the Indonesian youth through the formation of military units (*daidan*) within community organizations (*tonarigumi*).[134]

Yet, the Revolusi component of the doctrine represented a change from earlier ideas, from a focus on internal enemies to external ones. This shift was possible on the condition that Sukarno's control of the army was total; this was only possible after Nasution had been neutralized and Ahmad Yani installed. Sukarno's speech during the seminar provided a glimpse into the difference. Sukarno said:

> … our revolution has been side-tracked. Our army followed along with a side-tracked defence policy. This was a side-track from the revolution. Our defence policy has been force-fed by the neocolonialist powers. Several of our officers who have obtained foreign educations […] were taught defence strategies, large and small tactics, all of which aimed to convince us that 'the possible enemy will come from the north'. We have been 'force-fed' those words. Thus, we were taught that if we want to defend the country, we have to face the north, not the south, west, or east.[135]

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132 'Seminar Seskoad Kedua, 3–8 Januari 1962', *Karja Wira Djati*, 2/8 (1962), 70–1.

133 'Pertahanan Rakjat', *Karja Wira Djati*, 3/1 (July 1963).

134 *20 Tahun Indonesia Merdeka*, Vol. III, 22.

135 In *Doktrin Perdjuangan TNI 'Tri Ubaya Cakti'*, 21. '… revolusi kita menjeleweng, Angkatan Bersendjata kitapun ikut2 didalam ia punja defence policy menjeleweng, njeleweng daripada revolusi itu. Defence policynja pada waktu itu, kita "ditjekokkin", djustru oleh fihak Nekolim. Beberapa hal jang salah misalnja saja kenal beberapa Opsir, Perwira, dapat didikan dari Luar Negeri, eh, Parman djuga manggut2, didikan dari luar negeri, disitu

Sukarno insisted that the enemy was the West, the neocolonialist powers headed by the United States of America.

This 'rediscovery of the revolution' was a realignment of Indonesian international interests, with Indonesia's confirmation of its position within the non-aligned Third Power Bloc, the Newly Emerging Forces. The military played an important part. Sukarno continued: 'So the military, that word is closely inherent, very much inherent to the idea of the enemy. What is the purpose of war? It isn't purely for self-defence. The purpose of war is to destroy the enemy; no one conducts war without having this purpose to destroy, to defeat the enemy.'[136] This doctrine was in line with Sukarno's increasingly erratic view of the world (the Nefo and Oldefo classification) and Indonesia as a beacon of revolution.

This doctrine was significantly revamped after the fall of Sukarno in 1965. By the Second Army Seminar, held from 25 to 31 August 1966, after the fall of the Guided Democracy, the belligerent tone had disappeared. Instead of a revolutionary army, the army was depicted as a modern one: an organization with experts and their expertise. Thus, the values of military leadership were still extolled, with leadership ideals based on almost feudal characteristics alongside modern, managerial leadership ideals.[137] 'The New Order wants a more realistic and pragmatic order, although it does not leave behind the idealism of struggle.'[138]

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diadjarkan, hal2 jang mengenai defence strategy, taktik besar, taktik ketjil, pada dasarnja jalah, diadjarkan kepada kita itu "the possible enemy will come from the North". Kita "ditjekokkin" begitu "the possible enemy will come from the North". Malahan segala susunan defence policy itu didasarkan atas itu. "The enemy is the North, the possible attack of the enemy will come from the North". Djadi, diadjarkan kepada kita, kalau kau mau defence, menghadaplah keutara, djangan ngadap kidul, ngadap ngulon, ngadap ngetan, menghadaplah keutara.'

136 In *Doktrin Perdjuangan TNI 'Tri Ubaya Cakti'*, 20. 'Djadi Angkatan Bersendjata, perkataan itu adalah closely inhaerent, inhaerent serapat2nja dengan musuh. Malahan "doel' dari perang jaitu apa? Bukan sadja mempertahankan diri sendiri. "Doel" daripada perangnja itu, mengalahkan musuh; tidak ada orang mengadakan perang, kalau tidak dengan maksud untuk menghantjurkan, mengalahkan musuh.'

137 Thus, the *panutan* characters discussed earlier and within the Javanese proverbs: *ing ngarsa sung tuladha*, *ing madya mangun karsa*, and *tut wuri handayani*, extolling the virtues of leadership within the common people, but also more modern ideals of efficiency, transparency, humbleness, and planning capabilities. See *Doktrin Perdjuangan TNI-AD. 'Tri Ubaya Cakti'. Buku Induk* (Jakarta: Skodik Wala dan Pawamil ABRI, 1968), 38.

138 In *Doktrin Perdjuangan TNI-AD*, 9. 'Orde Baru mengingini suatu tata-fikir jang lebih realistis dan pragmatis, walaupun tidak meninggalkan idealisme perdjuangan.'

11 Mass Control and Job Expansion

The discussion of the definition of the state enemy in the Seskoad above has already identified the elements that the military wished to control: communists, separatists, federalists, atheists, religious extremists, imperialists, isolationists, liberals, and even cynics. What this meant was that the enemy existed both outside of and within Indonesian society itself. In accordance with the rule book of the Cold War, the government was fighting against ideas and ideologies as well as armed militias and other radicals. The fight was to have a variety of psychological, ideological, and military dimensions. There were two major approaches that the military took with regard to state enemies. The first was the deployment of conventional strike forces against separatists, imperialists and, later on, communists and leftists through the use of military violence. The second was the so-called military Karya programme.

Nasution initially introduced the Karya programme in order to allow the military access to positions and influence in the various sectors of civilian life that had been off-limits before the programme's formal inauguration at the end of the 1950s. Another significant reason for the programme was mass population control, especially to protect against communist influence in rural areas. The PKI, with good reason, wanted the army to abandon the territorial doctrine which the Karya programme was partially based upon. Communist support for the Tri Ubaya Cakti doctrine and its legitimation of foreign adventures provided the PKI cadres with relief from the military harassment that was being inflicted on them by the army during the late Guided Democray period.[139]

By the early 1960s, several ideologies had effectively been banned in national politics. Liberalism, with its perceived supporters as epitomized by the PSI, was banned. By the late 1950s, Nasution had earnestly begun controlling civil society through the formation of various Military Cooperation Bodies (Badan Kerdjasama Militer, BKS). The BKS mirrored party-based *onderbouw* organizations, the largest of which were usually communist organizations. The move to integrate civil society organizations first started with veterans through the formation of the Veteran's Legion of the Republic of Indonesia (Legiun Veteran Republik Indonesia, LVRI), a new veteran's organization that was to replace all other veterans' organizations, some of the largest of which were the All-Indonesia Union of Former Fighters (Persatuan Bekas Pedjuang Bersendjata Seluruh Indonesia,

139 Aidit in his many speeches to military personnel in the various officer schools repeatedly stressed the need to abandon the territorial doctrine. Moekmin Hidajat, 'PKI versus Perang Wilajah', 18–23.

Perbepsi), associated with the PKI, and the Former Islamic Fighters Union (Bekas Pedjuang Islam Bersendjata), associated with Masjumi. The extensive opposition to this military move resulted in a change of tactics and the setting up of the BKS. The first BKS was the Cooperation Body between Youth and Military (Badan Kerdjasama Pemuda Militer, BKSPM), an organization that used *preman* youths with a thuggish reputation. As Loren Ryter has shown, the BKSPM was the nucleus of the later powerful Pemuda Pancasila group that existed during the New Order and played an important part in the early years of the regime, including during the 1965–1966 communist massacres.[140]

Job expansion for army personnel occurred at a variety of levels. At the highest levels were those military officers who were asked to sit in Parliament or to head various ministries, departments, and provinces, or fill other high-level administrative posts. The expansion of the military territorial district (Kodam) during the Guided Democracy was significant: from seven to sixteen districts.[141] The root of this expansion was the willingness of the army under Nasution in 1958 to avert a military dictatorship and instead implement a Middle Way (Dwifungsi). This concept, as planned between Sukarno, the cabinet, and the leaders of the armed forces, would give wide-ranging opportunities to military officers on an individual basis, but as exponents of the military they would be able 'to participate in non-military fields and [...] determin[e] national policies of the highest levels including such fields as state finance, economy, and so on'.[142]

The takeover of formerly Dutch-owned businesses resulted in a sudden expansion in the number of managerial posts that required filling, and Indonesia had a hard time finding replacements for these roles. Parliamentary Decree No. II/MPRS/1960 is an important document, as it legalized army participation and proposed a fundamentally different economic framework for the country. In A/III/402/5, it stated that 'the Indonesian armed forces and the state police shall participate in the process of production without diminishing their main respective tasks'. In A/III/69/415, it stated that 'the role and activities of the armed forces in the field of production bring them closer to the people more intensively in the process of state development especially in matters of industrialization and the carrying out of land reform'.[143] Many of the military men

140 Ryter, 'Youth, Gangs and the State in Indonesia', 36 and 82. Many of those in the gangs of the New Order were sons of bureaucrats and army officers, indicating the tight connections that the elites had to various sectors of Indonesian society.

141 Sundhaussen, *The Road to Power*, 125.

142 Sundhaussen, *The Road to Power*, 126.

143 Peraturan Pemerintah No. 16 tentang Permintaan dan Pelaksanaan Bantuan Militer.

had some measure of education. The army officer corps represented an especially highly educated group, with 71 per cent having experience of higher education and some having attended management courses in the United States.[144]

As part of the Karya group, the military was entitled to thirty-five seats in Parliament. In practically all newly created institutions of the Guided Democracy, the military was to play a role and hold prominent roles. Military members were appointed as governors and in other executive civil-service positions. In fact, there were more members of the military in important government posts during the final years of the Guided Democracy than in the early years of the New Order.[145]

The territorial-affairs section of the general staff had been developing the regional authority of the military since the proclamation of martial law in 1957. The structure of this authority was commonly known as the Tjatur Tunggal.[146] At the highest regional (provincial) level, under martial law, the role of the army was supreme within a governmental structure that incorporated other civilian authorities. The Tjatur Tunggal structured regional government in a hierarchy, placing the territorial military commander in charge of a committee that was formed of the civilian governor, the chief of police, and the district attorney. If martial law were to be lifted, the civilian governor would replace the military commander as chairman of the committee. However, when martial law was finally lifted in 1963, the military regional structure of the Tjatur Tunggal effectively remained in place

The Seskoad further developed the territorial doctrine on the orders of General Nasution. In 1958, Colonel Soewarto, then assistant commander of the Seskoad, was ordered to conduct a series of meetings to define the territorial doctrine. Prior to Sukarno's visit to Washington in April 1961, General Edward Lansdale proposed a Civic Action programme for Indonesia that involved the Indonesian army in rural reconstruction and development projects.[147] According to Frederick Bunnell, the chief of staff approached US officers in Jakarta in July 1962 for American assistance in Civic Action programmes as one of the

144 Roeder, *Who's Who in Indonesia*, 460.

145 In September 1962, officers of the Karya operation attended the Graduate School of Business Administration at Harvard University, among others. *Laporan Tahunan 1963 Staf Angkatan Bersendjata, Direktorat Keamanan Dalam Negeri, Territorial dan Perlawanan Rakjat* (Jakarta: Direktorat Keamanan Dalam Negeri,Territorial dan Perlawanan Rakjat, 1964), 11–12.

146 Translated as 'Four in One' from Javanese, providing a picture for the structure of regional governments.

147 Simpson, *Economists with Guns*, 48.

TNI's post-West Papuan military strategies.[148] In 1963, the Americans started implementing the Civic Action programme as part of their assistance programme, along with schemes in five other Asia–Pacific countries.

President Kennedy offered the Military Assistance Program (MAP) agreement during President Sukarno's visit to Washington in 1961. In the spring of 1962, army chief of staff General Maxwell Taylor visited Indonesia and concluded a Civic Action agreement at the Indonesian army headquarters. Near the end of the year, an inter-agency Civic Action Advisory Team arrived in Indonesia and established the office of Special Assistant for Civic Action at the US embassy in Jakarta. Colonel George Benson, former military attaché to Indonesia and close friend to many of the Indonesian military elite, became its first special assistant.[149] By early 1963, American bulldozers, road scrapers, and power hammers were arriving in Indonesia. Fifty US officers from the Fort Belvoir Civic-Action training centre, Virginia, were expected to train Indonesian army engineers on the use of the machinery. A group of Indonesian officers was also sent to army engineering training centres at Fort Belvoir and Fort Leonard Wood, Missouri. General Yani officially opened the Civic Action course in late 1963. Civic Action centres were being opened throughout the archipelago for the purpose of training those in the 'development' brigade. The programme was conceived as counter-insurgency training and the plan was to equip thirty-five to forty infantry battalions and thirteen engineering battalions.[150]

Under the command of the Siliwangi Division's General Kosasih and, later, General Ibrahim Adjie,[151] the Bhakti operation was launched specifically to implement the Civic Action programme within former DI areas in West Java. By 1962, the civic mission was absorbing 40 per cent of the army's manpower in rural development projects.

The expansion of Civic Action, and the implementation of the military's Karya role, meant an expansion of military education into sectors previously limited to civilians.[152] Like the formation of the Civic Action training centres

148 Frederick P. Bunnell, 'The Kennedy Initiatives in Indonesia, 1962–1963', PhD Dissertation Cornell University, Ithaca, 1969, 147; Mrazek, *The United States and the Indonesian Military*, 78.

149 Mrazek, *The United States and the Indonesian Military*, 77; Brian Evans III, 'The Influence of the United States Army on the Development of the Indonesian Army, 1954–1964', *Indonesia*, 47 (April 1989), 25–48.

150 Bunnell, 'The Kennedy Initiatives', 148.

151 Nasution, *Memenuhi Panggilan Tugas*, Jilid V, 182.

152 For instance, the production of rice, in which the military increasingly played a part through the People's Welfare Operation Command (Komando Operasi Gerakan Makmur, KOGM), created in 1959. The effort to achieve sustainability in rice production was thus made within military-style organizations or commands, in which the military had an

above, some educational institutes were created specifically for military training in civilian fields. They focused on the development of the military's engineering capabilities in building roads and other infrastructural projects, similar to the American Military Engineering Corps. Special managerial courses for military students were held at various universities, including a course in administration science at the Faculty of Social and Political Science at Padjadaran University in Bandung. Padjadjaran social scientists regularly lectured at the Seskoad and army officers could complete degree courses there. Ahmad Yani said: 'We know for certain that the development of our country should be in the hands of the experts and those responsible. This requires technical education in all fields. Administrative science involving managerial know-how is one of the most important sciences, because administrative capabilities determine the smoothness of our efforts and increase efficiency.'[153]

Even when US aid to Indonesia was significantly reduced in 1964, and was expected to be stopped in 1965, the amount of money going into the MAP was actually increasing. Between 1962 and 1965, $39.5 million of US aid was given to the MAP in comparison to the $28.3 million of US aid that had been disbursed between 1949 and 1961. In fact, military aid for the Civic Action programme was increased in 1965, when many thought that the United States had stopped all aid. As early as May 1965, US military suppliers were negotiating equipment sales to Indonesia. In July 1965, Rockwell–Standard delivered two hundred light aircraft for the army as part of the Civic Action programme.[154]

Suwarto, in an article co-written with UI economist Kartomo Wirosuhardjo, laid bare the importance of territorial development and the Civic Action programme. The rationale for Civic Action from a military standpoint was obviously security, yet the goal of the programme was in line with the constitution: the creation of a peaceful, wealthy, and just society. In order to reach that

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important role, together with the agricultural ministry and the Depernas. The production of rice was coordinated with the Food Source Board (Dewan Bahan Makanan) and the various Tjatur Tunggal at the provincial level, thus securing a truly state-controlled food production institution. The military was an essential component in this command structure.

153 Ahmad Yani, *TNI Membina Revolusi* (Jakarta: Delegasi, 1964), 112. Yani, in a speech titled 'Beladjar dengan Tekun dan Penuh Kesadaran' at the Social and Political Faculty, Padjadjaran University. 'Kita mengetahui dengan pasti bahwa pembangunan Negara kita ini hendaknjalah berada didalam tangan para achli dan jang bertanggung-djawab. Untuk itu diperlukan pendidikan kedjuruan dalam segala bidang. Kedjuruan administrasi jang meliputi managerial Know how adalah salah satu kedjuruan jang sangat penting, karena keberesan administrasi akan membantu melantjarkan setiap usaha kita dan meninggikan efficientie.'

154 Scott, 'The United States and the Overthrow of Sukarno', 239–64.

goal, the military would have to do its part in directing social change. Thus, Civic Action implied bringing about modernization by channelling villagers toward other modes of social, political, and cultural being than the ones offered by political parties, in particular the communists. In the words of Suwarto and Kartomo: 'By introducing the spirit of *gotong royong,*[155] which is one of the principles of Indonesian socialism, Civic Action will already have helped in moving Indonesian socialism forward.'[156]

This was a result of the changing attitude the army had to security. According to Soewarto, 'in the Cold War there is no difference between peace and war',[157] a statement that implied the need to build a doctrine that would function during both war and peacetime. Like the BKS organizations, the purpose of Civic Action was population control. In accordance with the Seskoad's classification of the potential enemies of the state, the uneducated and simple peasants could potentially have been attracted to communist ideas. The army's anti-communist campaign was thus achieved through the dissemination of material incentives; that is, through military-sponsored economic development. Suwarto and Kartomo imagined a rurally based army with military barracks built throughout the rural heartlands.

For the army, the introduction of army personnel to manual work provided them with abilities that would help them transition to a future civilian life. In an article in *Karya Wira Djati*, Soewarto noted that army personnel must learn to become community leaders. It thus asked the individual soldier to develop his social skills.[158]

It was hoped that developing the rural areas would lessen the perceived jealousy of villagers towards the cities. In fact, the main security threat perceived by the army was rural poverty. Development was an essential component of the protection of the national and urban elite from the threat of a communist

155 Gotong royong (or rojong) means mutual assistance, it also denotes a political discourse on authority in Indonesian in the tradition of the familial state.

156 Suwarto and Kartomo Wirosuhardjo, 'Bantuan Angkatan Perang dalam Pembangunan Suatu Persiapan Pembinaan Wilajah', in Suwarto, *Himpunan Karangan Letnan Djenderal Anumerta Suwarto* (Jakarta: Karya Wira Jati, 1967), 57. 'Jang terpenting ialah adanja kesadaran bahwa perbaikan desa mungkin ditjapai dan telah ditjapai dengan gotong royong. Dengan kembalinja semangat gotong rojong jang merupakan salah satu sendi dari Sosialisme Indonesia, civic action ikut membantu langsung pelaksanaan Sosialisme Indonesia.'

157 Suwarto, 'Tjeramah tentang Perang Wilajah', in Suwarto, *Himpunan Karangan Letnan Djenderal Anumerta Suwarto* (Jakarta: Karya Wira Jati, 1967), 25. The full sentence was: 'Djadi oleh karena dalam *cold war* ini pada hakekatnja tidak ada perbedaan antara perang dan damai dikatakan bahwa *war is never our goal*.'

158 Suwarto, 'Civic Action', *Karya Wira Djati*, 2/8 (1962).

insurrection. Kartomo's idea, which has been elaborated above, of a military-expert-business tripartite ruling class is a continuation of this idea. Thus, mass control was not merely conceived through the lens of a projection of violent power, but also as a projection of modernity.[159] It was an attempt to turn soldiers into social engineers.[160]

12 Conclusion

The relationships between social scientists, military officers, and managers developed during this period. Military officers routinely undertook economic research and many, like Nasution and Adjie, published articles in professional managerial magazines. It is also no coincidence that those officers with managerial careers were the ones who supported the territorial doctrine. The territorial doctrine legitimated their participation in the management of Indonesian public life and the country's economy. As a result, civilian experts and territorial officers had the same affinities, as both were managers. It was because of this that they maintained a strong connection and, perhaps, even a feeling of esprit de corps. Soehardiman credited Suharto's success 'especially to his capable managerial skills'.[161] This says a lot about his position as a military manager, but it also leads us to the view of many from within the New Order: its success was the result of the application of the managerial ideology that had become available and was taught to many military officers during the period. The growing relationship between the military and both social science and social scientists strengthens the view that this was not merely a momentary strategic decision but a basic strategy of the New Order state and the modernist view it had of itself, which included its rational and scientific foundation and its managerial capabilities.

159 Latham, *The Right Kind of Revolution,* 123–4.

160 Andrew J. Birtle, *U.S. Army Counterinsurgency and Contingency Operations Doctrine, 1942–1976* (Washington: Center of Military History, 2006), 225; Suwarto and Kartomo, 'Bantuan Angkatan Perang', 56–7.

161 Soehardiman, *Kupersembahkan kepada Pengadilan Sejarah*, 223.

CHAPTER 3

Expertise and National Planning

Abstract

This chapter looks into the development of Indonesia's postcolonial higher education system and the international technical assistance protocol in developing Indonesia's new managerial class. It looks into the rapid expansion of higher education and the effort of the Indonesian society to decolonize its education system away from the Dutch model. Because of the swiftness of this process, Indonesianization looked a lot like Americanization. International aid through technical assistance was the primary means through which Western ideas on development planning and expert production through international higher education became cemented. Aid money helped create personal and institutional relationships between Indonesian and American government institutions and universities. In particular, the relationship between experts like the economist Sumitro Djojohadikusumo, Indonesia's state planning institution, the faculty of economics of the University of Indonesia and UN and USAID technical experts and Western social scientists from American within MIT's Indonesia Project and others. These forms of transnational relationships legitimized the position of Indonesian planning experts within planning institutions that had strong institutional relationship with the West. This pattern would continue throughout much of the twentieth century.

Keywords

Indonesianization of higher education – Americanization – international technical aid – modernization theory – Indonesia project

This chapter discusses two developments concerning the post-colonial creation of expertise during the 1950s. The first was the development of higher education in both quantitative and qualitative terms: this included the expansion of domestic tertiary education and the Americanization of the curriculum and study methods, as well as the introduction of the Guided Study method. The second was the development of the various institutes for national planning and economic development, which was the result of a new institutional relationship forged by Sumitro Djojohadikusumo with the UNTAA (United Nations

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Technical Assistance Administration) and American aid in the form of an intellectual association with the Charles River (Harvard-MIT) community of scholars.

The developments above represented the defining characteristics of the changing elite culture of the 1950s. First, the decade was a period in which efforts to erase the colonial legacy were made in various aspects of national life. One of the most famous of these efforts was the nationalization of Dutch-owned enterprises. Yet, Indonesianization occurred in more areas than just the economy. It was prevalent in the education, legal, and administrative systems, among others. Indonesia sought foreign expertise and consultants through the only channel available in that period: the international aid structure dominated by the United States of America. In many respects, Indonesianization was Americanization.

Second, the establishment of institutions for national planning and economic development resulted in a new protocol for elite creation that was cemented during the decade. The shift towards being educated as a marker of elite status was significant, with education surpassing nobility as a class marker. A new elite emerged from the social and cultural shift brought about by the introduction of the fetish of efficiency and the lexicographic assault of English terminology to denote modernity: efficiency, planning, manager and management, and so forth. Terms such as 'expert' and 'manager' became markers of status.

1 Expert Creation

When the Dutch transferred sovereignty, the problem of the lack of expertise was already apparent. The number of Dutch experts in Indonesia fell throughout the 1950s. In 1950, there were more than sixteen thousand Dutch employees in leading positions; by 1951, the number had already dropped to seven thousand; and by 1956, it had atrophied to around six hundred.[1] Difficulties at the office owing to the unclear division of tasks and responsibilities, which were exacerbated by the rising cost of living, lack of security, poor housing, and the disappearance of good schools for their children, determined the decision of many Dutch to repatriate.[2] This occurred despite efforts by the Dutch and

1 Meier, *Den Haag-Djakarta*, 176.

2 Nota omtrent de ontwikkeling van zaken in Indonesië in zoverre de verhoudingen binnen de Nederlands-Indonesische Unie en de belangen van Nederland daarbij betrokken zijn, NA, Ministerie van Buitenlandse Zaken, Hoge Commissariaat Bandung, 1950–1957, inv. nos. 556–566.

Indonesian governments to retain their presence. For instance, the Dutch employees of the Republic were reassured by a regulation issued on 1 January 1950 by the Dutch government regarding the continued payment of pensions and other support for those who worked for the Indonesian government.[3]

The government's efforts to improve expertise in the civil service entailed two approaches: retaining or conscripting foreign employees and, at the same time, expanding education opportunities for Indonesian employees, either in Indonesia or abroad. Dutch employees were preferred by Indonesia's administrative elites. They knew Indonesia far better than experts from other countries. The higher-echelon Indonesian civil servants spoke Dutch and thus communication between Indonesian and Dutch experts was less of a problem. The abilities of the Dutch employees were not in doubt and, to some extent, were considered to be superior to those of other Western nations.[4] There were quite a number of new Dutch employees who were generally progressive.[5]

Indonesia also began sending students abroad to foreign universities and expanding its own higher-education offering. In 1960, the Depernas tried to get an overall picture of the number of experts in the country from government departments and institutions. The outcome was not accurate, because some departments failed to provide or provided incomplete information, but the aggregate number offers an indication of the expansion of expert manpower by the end of the decade. In all, there were 4,453 Masters/*Doctorandus* degrees held, comprised of 1,659 medical doctors, 803 legal specialists, 650 engineers, 219 social/political scientists, and 200 economists, among others. In addition, there were 2,519 employees with bachelor's degrees (469 majoring in social/political sciences, 221 in economics, 282 in law, and 198 in engineering).[6]

Related to this was a serious lack of executive managers. A look at the statistics for 1941 reveals a ratio of three executives to five non-executives. The top-level executives were university graduates, while the upper mid-level executives were graduates of college-level academies[7]. In comparison, the 1961 data show that the executive and top-executive level had shrunk to just 3.5 per

3 *Antara*, 30 December 1952.

4 With the exception of the Netherlands Military Mission, which was disparaged by Simatupang in a newspaper article. ANRI, Delegasi Indonesia, inv. no. 1267.

5 Sjafruddin Prawiranegara, *Indonesia Dipersimpangan Djalan* (Djakarta: Abadi, 1951), 37–8.

6 *Rantjangan Dasar Undang-undang Pembangunan Nasional Semesta,* Buku Ke III, 1388–9.

7 Such as the HBS (Hogere Burger School), the Dutch High School; *gymnasia* are Dutch preparatory schools for higher or university education; the MOSVIA (Middelbare Opleiding School voor Inlandsche Ambtenaren, High School for Indigenous Civil Servants), the college for native civil service candidates (Pamong Pradja); and the *Bestuursacademie*, an administrative school.

TABLE 1 Data and levels of employment of civil servants, Dutch East Indies, October 1940

	Workers (low-level employees)	Supervisors (lower mid-level employees)	Executives (upper mid-level employees)	Top ex./ policymakers (high-level employees)
Dutch	355	5,045	7,909	2,808
Indonesian	49,662	8,830	5,023	221
Chinese	157	337	240	–
Total	50,178	14,212	13,172	3,029
Percentage	61.78%	17.49%	16.21%	3.75%
Ratio	20	6	5	1

SOURCE: PRAJUDI ATMOSUDIRDJO, 'MASALAH PENDIDIKAN ILMU ADMINISTRASI PADA PERGURUAN-PERGURUAN TINGGI', IN *LAPURAN MUSJAWARAH ILMU ADMINISTRASI NEGARA DAN NIAGA,* 33

cent of the total civil service (E and F group). In order to return to 1941 levels, the creation of eight to ten thousand public administration experts would be required, something which the four universities teaching public administration were not equipped to handle with their annual graduations of just two hundred people.[8] In Table 2 below, the A and B columns represent workers, C and D represent supervisors, E represents executives, and F represents top executives. The third row shows the ratio; thus there were five executives for every ninety-five non-executive civil servants.

2 PUTABA (Pusat Tenaga Bangsa Asing)

The Centre for Foreign Employees (Pusat Tenaga Bangsa Asing, PUTABA) was established in 1951 at the Indonesian High Commission in The Hague. It was created after a team headed by Prof Gunarso from the ITB, Prof Sukarja, and Masoro, head of the General Directorate of the Ministry of Personnel Affairs (Kementerian Negara Urusan Pegawai), led a team on a visit to the city in June of that year. They were sent to Europe to look into the possibility of importing

8 Prajudi Atmosudirdjo, 'Masalah Pendidikan Ilmu Administrasi pada Perguruan-perguruan Tinggi', in *Lapuran Musjawarah Ilmu Administrasi Negara dan Niaga* (Jakarta: Lembaga Administrasi Negara, 1962), 32–4.

TABLE 2 Levels of employment of civil servants, Indonesia, January 1961

A	B	C	D	E	F
228,889	408,302	170,901	100,568	28,687	7,679
21.9%	39.1%	16.28%	9.63%	2.74%	0.72%
84		36		4	1

Note: The A and B columns represent workers, C and D represent supervisors, E represents executives, and F represents top executives. The third bracket shows the ratio, thus there were five executives for every ninety-five non-executive civil servants.

SOURCE: ATMOSUDIRDJO, 'MASALAH PENDIDIKAN ILMU ADMINISTRASI', IN LAPURAN MUSYAWARAH ILMU ADMINISTRASI NEGARA DAN NIAGA, 33

experts. The team's itinerary included the Netherlands, Germany, Austria, and Switzerland. The team did not go to the UK, instead focusing on 'German-speaking' countries.[9]

In 1950, the commission set up to study the matter of hiring foreign employees surveyed various ministries to determine the number of vacancies available. Between one thousand seven hundred and two thousand foreign experts were needed. Foreign employees on temporary contracts were offered all kinds of perks and benefits, and paid higher wages than Indonesians in the same positions. Yet, by September 1951, only one hundred people had been recruited for a three-year contract. The government provided residences in the Kebajoran Baru district of Jakarta. In the advertisements published in Austria, a very large salary of Rp 1,810 a month was promised, in addition to a fl. 13,000 bonus to be paid out in Austria after the three-year contract period. On 21 August 1952, seventeen medical doctors from various European countries arrived in Jakarta.[10] They were among the 416 people that the PUTABA had successfully recruited in 1952, far fewer than the target of twelve hundred workers. Of these 416,229 were Dutch, 111 were German, thirty-nine were Austrian, and eighteen were Italian. In total, 186 were doctors and pharmacists.[11] For the year 1952, the government decided to budget to import eight thousand foreign workers, based on a tally coordinated with the various ministries. The quality of many of the

9 The East Asian Society (Ost-Asiatische Gesselschaft) and the Institute for Tropical Medicine (Institut fur Tropen Medizin) in Hamburg received the visitors with some enthusiasm and a German–Indonesian Association was created, but little seems to have come of it. J. Krol, 'Internationale technische hulp aan Indonesia', *Cultureel Nieuws uit Indonesia*, 2 (August 1951), 12.

10 *Antara*, 21 August 1952.

11 *Antara*, 31 August 1953.

applicants was disappointing. Some of the Swiss youths sent to Indonesia had received only very basic training.[12] According to Syafruddin Prawiranegara, the problem then seemed to be less one of getting them into the country than one of getting them out of it.[13] In general, Indonesian efforts to obtain foreign expertise to work directly and organically within the national civil service were a failure. The PUTABA continued its work until the mid 1950s, but the number recruited lagged far behind what was needed.[14]

3 Post-colonial Dutch Higher Education

Prior to the cessation of the colonial relationship, the Netherlands provided a significant amount of schooling for Indonesians. In fact, in the year after the signing of the RTC, the Netherlands was practically the sole provider of foreign higher education to Indonesian youths.[15] The list below shows the number of Indonesian students who went to the Netherlands to study during the 1950s. While this number was relatively limited during the revolutionary period, it had climbed by the end of the 1940s, peaking briefly between 1950 and 1953, before falling towards the end, in 1957. The number sent during this period was comparable to the total number of Indonesians studying in the Netherlands in the period 1924–1940 (344). Not included in this number were 360 Indonesian Chinese students.[16]

Basuki Gunawan's study of Indonesian students in the Netherlands showed that the similarity in the educational curriculum and methods, the use of the Dutch language, and the prestige of going to the Netherlands to study were factors valued by early Indonesian students, but that feelings of inferiority and a fear of not being able to find a permanent government position at home were negative considerations.[17] The Malino scholarship, announced after the

12 These Swiss youths were receiving Rp 1,500 per month, with a 10,000 Swiss franc bonus per year.

13 NA, Hoge Commissariaat Indonesië, inv. no. 442.

14 PUTABA paid for Dutch professors to teach in Indonesia, including K. Posthumus and J. A. L. Cuisiner at Universitas Gadjah Mada; P. L. van den Velden, F. Weinreb, and P. N. Drost at Universitas Indonesia; and C. G. G. van Herk at Universitas Indonesia in Bogor in 1952. Putusan2 Rapat ke-31 Kabinet Ali Sastroamidjojo Tanggal 19 Djanuari 1954, ANRI, Kabinet Presiden Republik Indonesia, inv. no. 9h.

15 Basuki Gunawan, *Indonesische studenten in Nederland* (The Hague: W. Van Hoeve, 1966), 31.

16 Murray, *A Chronicle of Indonesian Higher Education*, 29.

17 Gunawan, *Indonesische studenten in Nederland*, 31.

TABLE 3 The number of Indonesian students coming to the Netherlands per year

Year of arrival	Number/ percentage
1946	11 (3%)
1947	11 (3%)
1948	32 (9%)
1949	36 (10%)
1950	42 (12%)
1951	59 (17%)
1952	56 (16%)
1953	50 (14%)
1954	25 (7%)
1956	27 (8%)
1957	2 (1%)
Total	351 (100%)

SOURCE: GUNAWAN, INDONESISCHE STUDENTEN IN NEDERLAND, 33

Malino conference in 1946, allowed for a continued Indonesian presence in the Dutch education system,[18] at least until the complete cessation of the relationship with the Netherlands in 1957. Unease about the steadily worsening Dutch–Indonesian relationship impacted the desirability of Dutch higher education. Of the two hundred Indonesian students interviewed between 1955 and 1957, 70 per cent admitted their desire to study elsewhere.[19]

The government sent 284 Indonesians with civil service obligations (*ikatan dinas*) and 142 with foreign aid scholarships to study in the Netherlands during the period 1950–1956. In total, 426 Indonesians studied in the Netherlands in this period. In comparison, the number of students who went to the United States to study between 1950 and 1962 totalled just fifty-nine. In fact, the country that the government sent the next largest number of students to was West

18 NA, Ministerie van Buitenlandse Zaken, Hoge Commissariaat Bandung, 1950–1957, inv. nos. 514–523.

19 Gunawan, *Indonesische studenten in Nederland*, 31. Especially in the United States, the UK, Scandinavia, Switzerland, and Egypt.

Germany, where 242 studied.[20] In the academic year 1952–1953, 1,540 students from Indonesia went to study in Dutch colleges and universities, compared to just eight Indonesian students who studied in Paris. Of these 1,540, 188 were on civil service scholarships and 187 on military scholarships. Higher education for Indonesian students in the Netherlands experienced a significant shift in the post-colonial period. Between 1924 and 1940, the majority of Indonesian students studied at Leiden, especially at its law school, while only a limited number went to the engineering school in Delft. In fact, out of the total of 344 Indonesians who pursued Dutch higher education at this time, 199 studied in Leiden and just twenty-five in Delft.[21]

There were two reasons for the shift in educational emphasis. First, the majority of Indonesians who could afford to go to Dutch universities during the colonial period hailed from the traditional aristocracy, whose main role was within the colonial bureaucracy. Since the colonial bureaucracy focused on the application of Dutch laws, there was an emphasis on legal studies for aspiring bureaucrats. This contrasted with the motivations of students in the post-colonial period. Second, many of those who went to the Netherlands in the 1950s were paid for by the government or received a Malino scholarship, and thus they were expected to supply the manpower needs of the state. Economic deterioration and inflation meant that many, including former members of the aristocracy, had diminished incomes that did not allow them to send their children abroad to study. The state and its access to state and foreign scholarship thus determined who was able to obtain a foreign education.

4 Expansion of Universities and Academies

Glassburner remarked that Indonesia 'has probably accomplished more by way of eliminating her high-level manpower gap than she has in any other area of economic development policy'.[22] In 1949/1950, there were only six higher-learning institutions in Indonesia,[23] with the number of students totalling 3,377. By 1955, there was a total of twenty-seven higher-learning institutions, with

20 Rifai, *Perkembangan Perguruan Tinggi di Indonesia*, 224–6.

21 Murray, *A Chronicle of Indonesian Higher Education*, 29.

22 Glassburner, 'High-Level Manpower for Economic Development', 201.

23 Universitas Indonesia, Universitas Gadjah Mada, NIAS (Nederlands Indische Artsen School), STOVIT (School tot Opleiding van Indische Tandartsen, which became Universitas Airlangga in 1954), Universitas Nasional, and the Police Academy (Akademi Kepolisian) in Jakarta.

TABLE 4 Indonesian students studying in the Netherlands in the early 1950s

The universities	Number of Indonesian students
Technische Hogeschool Delft	68
Universiteit van Amsterdam	44
Rijksuniversiteit Leiden	42
Economische Hogeschool Rotterdam	16
Middelbare Technische School Rotterdam	17
Hogere Textielschool Enschede	14
Others	81
Total	282

SOURCE: *ANTARA*, 22 AUGUST 1953

18,122 students enrolled. By 1964/65, there were 355 institutions of higher learning, with a total student body of 278,000. In comparison, in the academic year 1939/1940 there had been just 1,693 students enrolled. Between 1950 and 1959, eight universities were founded. Based on Law No. 22/1961, every province was to be furnished with one higher-education institute, preferably a university, and the ratio between the science and engineering faculties and the social/behavioural sciences and humanities was to be seven to three.[24] As a result, from 1960 to 1966, twenty-eight universities were founded throughout the archipelago.[25]

There were several ways in which universities were created: some started out as individual faculties that were incorporated into fully fledged universities, while others were created from scratch, either by individuals or groups in civil society or the government. A number of universities started as private institutions that were later incorporated into state universities. These institutions were usually created by prominent regional and national civilians and military elites, who were concerned about providing their areas with higher education while they were at the same time intent on elevating their status

24 Rifai, *Perkembangan Perguruan Tinggi*, 8.

25 Gerhard Junge, *The Universities of Indonesia. History and Structure* (Bremen: Bremen Economic Research Society, 1973), 28.

by becoming the founder of a higher-education institute.[26] A large number of private universities were not incorporated into state universities. For instance, the University of Res Publica (present-day Trisakti) was created by the Chinese organization Baperki and was also highly influenced by the communists.[27] By 1959, there were around eighty private universities/schools and, as part of the enthusiasm for the early Guided Democracy developmental push, this had grown to 114 by 1961.[28]

Aside from universities, ministries and private institutions also created academies. By 1954, fifteen academies had been created with courses at them ranging from two to five years' duration. The Ministries of Education and Culture (Kementerian Pendidikan dan Budaja), Foreign Affairs (Kementerian Luar Negeri), Commerce and Industry (Kementerian Perdagangan dan Industri), Public Works (Kementerian Pekerdjaan Umum), and Defence (Kementerian Pertahanan) each had an academy, while the Ministry of Agriculture (Kementerian Pertanian) had three and the Ministry of Transportation (Kementerian Perhubungan) had four. The total number of people taught in ministerial academies in 1955 totalled 1,128, with the largest number studying the three-year course at the Academy of Military Law.

The total number of government employees studying in 1958 was 25,672. About 43 per cent, or 11,042, were students with civil service obligations. Of those 11,042 students, 1,427 were enrolled in a course of more than three years' duration, 4,068 were on a three-year course, 3,383 were on a two-year course, 2,115 were on a one-year course, and just forty-nine were on a short course of six months' duration. The largest group came from the Ministry of Agriculture (8,111), followed by the Ministry of Health (7,055), the Ministry of Education and Culture (2,351), and the Ministry of Transportation (1,634).[29] This expansion of civil service obligations was in line with the massive expansion of government academies, but also with the expansion of government-owned universities. The number of academies would reach a total of 128 by 1970, with the largest growth occurring between the years of 1961 and 1970, when seventy-two academies opened.[30]

The government realized early on that the idea of educating civil servants on a four-year university course would not meet contemporary needs. The urgent demand for trained workers for the business world could not be covered

26 Murray, *A Chronicle of Indonesian Higher Education*, 145–54.
27 Murray, *A Chronicle of Indonesian Higher Education*, 150–1.
28 Murray, *A Chronicle of Indonesian Higher Education*, 87.
29 *Kursus-kursus Departemen dan Djawatan*, vii-viii.
30 Murray, *A Chronicle of Indonesian Higher Education*, 131.

TABLE 5 List of academies run by Indonesian ministries

	Name of school	Overseen by	No. of students
1	Academy of Indonesian Art	Ministry of Education and Culture	173
2	Academy for the Foreign Service	Ministry of Foreign Affairs	80
3	Academy for Foreign Economic Relations	Ministry of Commerce/ Industry	72
4	Academy of Forestry	Ministry of Agriculture	28
5	Academy of Agricultural Research	Ministry of Agriculture	76
6	Governmental Sucrose College	Ministry of Agriculture	65
7	Academy of Technical Education-Foundation	Ministry of Public Works	142
8	Higher Education for the PTT		
9	School for Technical Experts for the Railways	Ministry of Communications	183
10	Academy of Navigation	Ministry of Communications	44
11	Academy of Commercial Navigation		
12	Academy of Military Law	Ministry of Communications	16
13	National Academy of Engineering	Ministry of Communications	26
14	Indonesian Academy of Commerce	Ministry of Defence	223
15	Academy of Economics	Subsidized (less than 100%)	307
		Private	n/a
		Private	n/a

SOURCE: *DEVELOPMENT OF EDUCATION IN INDONESIA* (JAKARTA: MINISTRY OF EDUCATION, INSTRUCTION AND CULTURE, 1955), 13

either. Efforts to hire Dutch specialists from the Dutch-controlled Indonesian business world had been unsuccessful. Many of the people entering business, regardless of whether their background was administrative or technical, were former government civil servants of Dutch origin. Importing them from the Netherlands was expensive and many of the prospective workers were not attracted unless they were given some guarantee of safety and financial security.

5 Indonesianization and Americanization

The development of new curricula and modes of study was an essential component of the Indonesianization effort and was dependent on the presence of American faculty teachers, which was a requirement of the university-to-university cooperation agreements. By the mid 1960s, the new Indonesian curriculum was based on the American model.[31] We will take a closer look at the cooperation between Kentucky University and the Institute of Agriculture Bogor (Institut Pertanian Bogor, IPB) to see how this shift from the Dutch to the American educational system occurred. It was not purely a re-creation of Indonesian universities as exact clones of American ones:

> With Indonesian acuity, the staff at IPB was maintaining some of the system they had learned from the Dutch, studying systems elsewhere in Europe and Asia, refining their own expectations, and utilizing the innovative judgments of Ken-team colleagues. Out of all this it was finding identity as the Indonesian Agricultural University.[32]

It was thus a selective process of de-Europeanization, Indonesianization, and Americanization.

On 30 January 1950, the government issued an emergency law on university education that replaced Staatsblad 1947 no. 47. The formation of an Inter-University Committee (Panitya Antar-Universitas) signalled the end of the dualism that had existed between the Republican and Federal systems of higher education. The Dutch domination of administrative functions had ended; the

31 Since the early 1950s, calls for a shift from the use of Dutch to English had been made by various educational organizations. ANRI, Kabinet Presiden Republik Indonesia, inv. no. 1090.

32 Howard W. Beers, *An American Experience in Indonesia. The University of Kentucky Affiliation with the Agricultural University of Bogor* (Lexington: University Press of Kentucky, 1971), 109.

TABLE 6 American university cooperation programs

University and faculty	Affiliation	Financial support
Universitas Gadjah Mada		
Economics	University of Wisconsin	Ford Foundation
Mathematics/physics/ technology	UC Los Angeles	ICA
Universitas Indonesia		
Medicine	UCSF Medical Center	ICA
Economics	UC Berkeley	Ford Foundation
Agriculture and Forestry	University of Kentucky	ICA
Animal Husbandry	University of Kentucky	ICA
Universitas Airlangga		
Medicine	UCSF Medical Center	ICA
Teaching college *Institut Teknologi Bandung*	SUNY, Albany (State University of New York)	Ford Foundation
Engineering/mathematics/ chemistry/biology/physics	University of Kentucky	ICA
Universitas Sumatera Utara		
Teaching college	SUNY, Albany	Ford Foundation
Universitas Padjadjaran		
Teaching college	SUNY, Albany	Ford Foundation

SOURCE: BRUCE GLASSBURNER, 'HIGH-LEVEL MANPOWER FOR ECONOMIC DEVELOPMENT: THE INDONESIAN EXPERIENCE', IN F. H. HARBISON AND C. A. MYERS, *MANPOWER AND EDUCATION. COUNTRY STUDIES IN ECONOMIC DEVELOPMENT* (NEW YORK: MCGRAW-HILL, 1965), 186. AFFILIATION AGREEMENTS IN 1960

new president of the new and unified Universitas Indonesia was an Indonesian, Soerachman Tjokroadisoerjo, who resigned in 1951 and was replaced by Professor Soepomo. The process of reshuffling professors continued throughout the 1950s, as faculties that were politically sensitive moved into Indonesian hands, while Dutch professors were permitted to teach courses in specific technical fields that were non-political.[33] Thus 80 per cent of the professorial staff

33 The university presidents also held a meeting in April 1952 and decided that the Dutch language should be replaced as soon as possible with Indonesian. ANRI, Kabinet Presiden Republik Indonesia, 1950–1959, inv. no. 1090.

in the faculties of law in all state-owned universities was Indonesian, while engineering faculties had no Indonesian teachers.[34] As explained by the chair of the Council of Curators (Dewan Kurator): 'It is a consequence of our freedom that we must push through this nationalization. This applies especially for courses that are concerned with national administrative leadership.'[35]

The government responded to the lack of lecturers in several ways. First, experts working in government services were required to temporarily allocate time for teaching. A second effort was made to import lecturers from abroad. A dozen Dutch professors were invited to teach at various universities for a period of six to twelve months. Throughout the 1950s, Indonesia imported a number of lecturers for the universities. In July 1957, there were 148 permanent foreign lecturers, consisting of eighty-five professors, sixty-three assistant lecturers, and 120 non-permanent lecturers. Indonesia imported thirty-one lecturers in 1955, thirty-seven in 1956, and just eight in 1957. Many of these were brought to Indonesia under the aid schemes of UNESCO, the Colombo Plan, and the Ford Foundation.[36] By the end of the 1950s, the increase in the number of Indonesian faculty members had resulted in the gradual but significant Indonesianization of the university system. For instance, at the Universitas Indonesia in 1951–1952, of 471 members, only 190, or 40 per cent, of the faculty were native Indonesians, with the remaining 241, or 60 per cent, consisting of non-native Indonesians, including around two hundred Dutch professors. By 1953, seventy-five Dutch professors remained; by 1956, there were perhaps only some thirty-five Dutch lecturers.[37] By 1962–1963, 99 per cent of the 1,273 faculty members were Indonesian. As most professors in the early 1950s were still Dutch, this Indonesianization resulted in a lower level of education among the teaching staff.[38]

In his acceptance speech as the new president of the UI in 1951, Professor Soepomo indicated that the post-colonial university was functioning in a period rife with internationalism. Aside from receiving professors, Indonesian universities also regularly sent professors on short-term stints abroad. The UN and its panoply of new international organizations provided some relief in the

34 *Locomotief*, 25 November 1950.

35 Notities no. 18 over 'concordant' onderwijs (A) cultuur en Indonesisch onderwijs (B), NA, Hoge Commissariaat Bandung, inv. nos. 514–523.

36 'Rapat Kerdja Menteri PP&K dengan Seksi E DPR', *Suara Guru*, 7/2 (September 1957), 4–5; ANRI, Kabinet Perdana Menteri Republik Indonesia, inv. no. 529.

37 Bruce Lannes Smith, *Indonesian–American Cooperation in Higher Education* (East Lansing: Institute of Research on Overseas Program, Michigan State University, 1960), 28.

38 Murray, *A Chronicle of Indonesian Higher Education*, 49.

provision of professors. In 1951, Gadjah Mada acquired two professors from the World Health Organization (WHO) and one from UNESCO, and in May of that year, Professors Sardjito and Johannes attended UNESCO conferences.[39]

The need to educate civil servants, especially in the executive and administrative branches, was acknowledged by the Ministry of the Interior (Kementerian Dalam Negeri) early on, especially in connection with decentralization and regional autonomy. The ministry focused on providing academic and semi-academic education, providing more teaching opportunities at local universities. Prospective civil servants were screened at local and national levels and then admitted to the social science, law, and political faculties of the Universitas Gadjah Mada (UGM).[40] In 1952, the UGM was the only university in the country that provided the kind of education required for executive and administrative civil servants.

Aside from civil servants, the Ministry of Education and Culture also provided scholarships for up to 150 non-civil servants with an *ikatan dinas*. This required them to work for the government after they had finished their studies.[41] The need to expand the education of civil servants paralleled the expansion of Gadjah Mada itself. In 1954, the university created a sister faculty at Surabaya's new Airlangga University, focusing on law, economics, and social and political science. Airlangga was developed from an extension of its Medical Faculty and had once been part of the Universitas Indonesia. A Surabaya branch of the Gadjah Mada Law Faculty was inaugurated on 9 April 1955, whereby lecturers from Gadjah Mada would be appointed as extraordinary lecturers at Airlangga. Airlangga's first president was Abdoel Gaffar Pringgodigdo, who also hailed from Gadjah Mada.[42]

6 The Rise of the Guided Study

The shift towards a new curriculum was part of what was called the 'total reorganization' that affected old and new universities alike. Unsurprisingly, the old core universities – Universitas Indonesia, Universitas Gadjah Mada, and some of their earlier offshoots including Padjadjaran, Hasanuddin, and Universitas Sumatra Utara – had difficulty coping with the transition. Many of these

39 M. Sardjito, 'Laporan Tahunan Universitit Negeri Gadjah Mada', 19 Desember 1951, 6–10.

40 Education for the staff of the Ministry of Justice was also to be provided through the UGM, according to Justice Minister Wongsonegoro, *Harian Indonesia*, 13 March 1951.

41 *Antara*, 14 August 1952.

42 Murray, *A Chronicle of Indonesian Higher Education*, 96–100.

universities still hosted Dutch professors and Dutch-educated teaching staff. Although most Dutch professors had left by 1957, the teaching staff required a bit of cajoling before they were truly comfortable with the new curriculum. An Indonesian member of the teaching staff at the IPB commented that everyone used the system that they were familiar with:

> This is natural because it is difficult to switch to another system with which one is not familiar. It was not so much that they were 'pushing', but that they were used to their own system and naturally considered it better. In the early stages of the affiliation this was felt more than now because IPB participants after returning began to use more of the American system which they had learned, so prevalence [of the guided system] gradually grew.[43]

The main reason for this change was not merely the need for Indonesia to break out of its colonial mould and take the reins in education. It was, in fact, a matter of efficiency, or the extreme lack of it, within the national education system.[44] To begin with, although the expansion of Indonesians studying in the national university system was very rapid, there was a lag in the number of graduates. On average only 20 per cent of the student body passed the yearly exams. Although the duration of a *sardjana muda* (equivalent to a bachelor's degree) was four years, it took many students eight or even ten years to complete their degrees.

The 'inefficient' Dutch system, which was called the 'Free Study' system, was contrasted with the 'efficient', American-inspired 'Guided Study' system, a terminology that paid homage to the Guided Democracy experiment. Under the Dutch Free Study system, a secondary-school leaver was not required to pass an entrance exam to get into university. Students had no obligation to attend lectures. Exams were oral and if the student failed, the exam could be retaken. In fact, 60 to 70 per cent of students failed their exams the first time. Little guidance or structure existed within this system. In addition, the lack of facilities, books, and laboratories in Indonesia's fledgling university system resulted in many drop-outs and demotivated students.[45] The Guided Study method

43 Beers, *An American Experience in Indonesia*, 156.

44 This was not simply related to the curriculum. Problems persisted with the issue of funding and the bureaucratic relationship with the central government. Kesukaran-kesukaran pada Universitas Indonesia, ANRI, Kabinet Presiden Republik Indonesia, 1950–1959, inv. no. 1217.

45 See, among others, Smith, *Indonesian–American Cooperation in Higher Education;* Murray, *A Chronicle of Indonesian Higher Education;* Kenneth Lee Neff, 'Educational Planning in

introduced the entrance exam. The student was required to attend mandatory courses and take written exams. The semester was introduced. Rote memorization and lectures were replaced with discussion groups. Students were expected to complete their degrees within the required time frame.

7 The International Aid Protocol

President Truman's administration was pivotal in constructing the global governance structure that was predicated on efforts to reduce the possibility of another conflagration and thus was a systematic plan for peace.[46] As well as the Keynesian Bretton Woods institutions of the International Monetary Fund (IMF) and the World Bank, the Marshall Plan and the Point Four Program, a technical assistance programme for 'developing countries', were created to reduce the possibility of communist expansion.[47] The focus on Asia was mainly directed towards China and Japan. The Economic Cooperation Administration (ECA) did provide technical assistance for smaller Asian countries (not including Indonesia), but these represented small, technical aid projects. The Point Four Program, announced in 1949, created a bureaucratic infrastructure for international technical assistance and focused on foreign direct investment, working under the assumption that economic expansion could forge peace and democracy.[48]

The provision of technical assistance was a multilateral exercise involving a variety of nations, with the United States taking the reins and initially providing some 60 per cent of the total aid of the United Nations Technical Assistance Administration.[49] Commonwealth countries that were members of the Colombo Plan also provided help, mirroring American initiatives. The aim was to reduce the appeal of communism and redefine the asymmetrical relationship away from the colonial one in which, as people within the

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a National Development Context: Indonesia, a Case Study', PhD dissertation, American University, Washington DC, 1965; Beers, *An American Experience in Indonesia*.

46 Robert A. Pollard, *Economic Security and the Origins of the Cold War, 1945–1950* (Colombia University Press: New York, 1985), 10–32.

47 Pollard, *Economic Security and the Origins of the Cold War*, 133–67.

48 Pollard, *Economic Security and the Origins of the Cold War*, 205–9.

49 David Webster, 'Development Advisors in a Time of Cold War and Decolonization: The United Nations Technical Assistance Administration', *Journal of Global History*, 6/2 (July 2011), 249–72. Aside from the UNTAA, there were also other forms of assistance organization, such as the WHO, the Food and Agricultural Organization (FAO), UNESCO, the International Labour Organization (ILO), and the International Civil Aviation Organization (ICAO).

dependency school would put it, the creation and management of the Third World was manifested.[50] At the other end of the spectrum, Soviet assistance after the death of Stalin in 1953 shifted towards a less military approach and the adoption of a subtler attitude towards the underdeveloped parts of the world.[51] Communism would also be promoted through the power of aid.[52] This crusading zeal for modernity and modernization, often expressed through the images of industrialization, mega-infrastructure, and the technological capability of humans to revamp whole landscapes, was a modern fetish that was revered everywhere in the post-war society.

This confluence of ideology in the specific modernity brought about by technical assistance experts and the development-minded politicians and leaders of newly independent nations was significant. Soviet aid to Indonesia dwarfed that of the United States, yet no pro-Soviet economists ever came close to the influence that American or Western economists had on Indonesia's planning community or intellectuals. Three-quarters of all Soviet aid delivered between 1954 and 1968 was in the form of military assistance, and those experts that had been sent to help with industrialization were, for the most part, engineers. In fact, as Indonesian economists would find out in their study of Eastern European societies during the Guided Democracy, most Soviet managers were engineers.[53]

These elite engineers may not have been the preachers of modernity that the social scientists of the West were. Yet, many Western technical experts weren't capitalist themselves in the traditional sense. They had to sell the idea of state-sponsored development in the capitalist West. David Webster grouped many of them as Fabian Socialists, a political term which, according to Anne Booth, equated well with Indonesian social democrats.[54] Many of them saw planning as the holy grail of development. As Webster phrases it, 'Colombo Plan members approached planning with an attitude approaching "worship".[55]

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50 Arturo Escobar, 'Power and Visibility: Development and the Invention and Management of the Third World', *Cultural Anthropology*, 3/4 (November 1988), 428–43.

51 Jeffrey F. Taffet, *Foreign Aid as Foreign Policy. The Alliance for Progress in Latin America* (Hoboken: CRC Press, 2007), 14.

52 Orah Cooper and Carol Fogarty, 'Soviet Economy and Military Aid to the Less Developed Countries, 1954–1978', *Soviet and Eastern European Foreign Trade*, 21/1–3 (Spring-Fall 1985), 54–73.

53 Panglaykim and Hazil, *Struktur Management dan Organisasi dalam Beberapa Negara Sosialis* (Jakarta: Pembangunan, 1962), 16–18.

54 Anne Booth, 'The Colonial Legacy and its Impact on Post-Independence Planning in India and Indonesia', *Itineratio*, 10/1 (1986), 13.

55 David Webster, 'Development Advisors in a Time of Cold War and Decolonization', 258.

As we will see, the 1950s' Indonesian technical elite also shared the same political ideology, with many of them having been influenced by Dutch social democracy, the political system that they were exposed to during their sojourn in the Netherlands; by socialist ideas; and, perhaps, even by Japanese fascist/corporatist notions. The social scientist and technical expert Benjamin Higgins, for instance, believed that state-owned companies could effectively stimulate economic growth.[56] This was a sentiment shared by many Indonesian experts, especially considering the utter lack of an indigenous entrepreneurial class and the seeming impossibility of imagining a free, market-based economy within the Indonesian society of the 1950s.[57]

On 4 December 1949, a UN resolution was passed on the composition of technical assistance. It covered aspects such as the deployment of a team of experts to assist countries as advisers, the training of experts from less-developed countries abroad, the training of experts and auxiliary personnel within the country, the deployment of personnel and materials for specific projects, and the exchange of information. In May 1950, a mission from the UN Secretariat visited Indonesia, along with agents from UNESCO, the FAO, and the WHO. UNESCO, the WHO, and UNICEF would help Indonesia to develop an education system for the people, and with rural reconstruction and various health initiatives.[58]

8 Development of Indonesian–American Aid Relations

During the revolutionary war, a group of Indonesian officials, comprising mostly PSI intellectuals, went to establish a lobbying organization in the United States. Sumitro Djojohadikusumo and Soedjatmoko were hosted by an American group concerned about the growing clout of communism in Asia, and met with the established circle, especially members of the Council on Foreign Relations, one of the most influential think tanks in the United States.[59] It was Sumitro's duty to drum up American support for the Indonesian side during the revolution as part of the charm offensive intended to reassure America that a post-colonial Indonesia would not hastily nationalize Western companies and

56 Benjamin Higgins, 'Thoughts and Action: Indonesian Economic Studies and Policies in the 1950s', *Bulletin of Indonesian Economic Studies*, 26/1 (1990), 37–47.

57 Benjamin Higgins, 'Introduction', in Benjamin Higgins (ed.), *Entrepreneurship and Labor Skills in Indonesian Economic Development: A Symposium*, 22–8.

58 Krol, 'Internationale hulp aan Indonesia', 2–15.

59 Ransom, 'The Berkeley Mafia', 2.

assets.[60] The fear that Indonesia would become communist made America cautious about supporting the Republican cause.[61]

In a speech about the Point Four Program and Southeast Asia, Soedjatmoko reiterated the cautiousness of the Asian approach to aid: 'Why is it that no leaders in Southeast Asia immediately hailed this plan, as Marshall's proposals had been immediately seized upon and embraced by the leaders of Europe?' The answer to this was that it was a result of the disillusionment of the elite with America's dithering stance towards Asian independence movements. In particular, it was 'America's failure to make a sufficiently early stand on the issues of colonialism' that had 'left very serious doubts in the minds of many Asians as to America's true intentions'.[62] Although there was no doubt about the support that the providers of technical assistance had had from within the Indonesian intellectual class, suspicion remained among other groups of Indonesian elites. The suspicion was rooted in, as Soedjatmoko said, the failure of America to act quickly to support the Republic against Dutch aggression during the revolution but was also due to the reservations of many of the elites, who were leftists, about submitting to American control. The fall of the Sukiman Cabinet (April 1951–April 1952) as a result of the signing of the Mutual Assistance Agreement with the United States illustrates this ambivalence towards the West.[63]

During the Second Dutch Military Aggression, Sumitro, who had become a permanent financial and trade representative to the United States and a member of the Indonesian delegation negotiating at the UN in New York, met with the acting US minister of foreign affairs, Robert A. Lovett, on 20 December 1948. The Republican elites had realized that the Netherlands were having difficulty funding their operations without the help of the Marshall Plan. Lovett reassured him that while the Marshall Plan funds for the Netherlands would not be stopped, the money intended for Indonesia had been completely halted. Sumitro held news conferences to gauge the opinion of the American public and thus cemented Indonesia's first important post-independence relationship with the US. His position on Indonesia's economic diplomacy with the United States was stated clearly in his report to the

60 This also included the visit by Soedjatmoko to New York in support of the Marshall Plan. See Ransom, 'Ford Country', 93–116.

61 Frances Gouda and Thijs Brocades Zaalberg, *American Visions of the Netherlands East Indies/Indonesia. US Foreign Policy and Indonesian Nationalism, 1920–1949* (Amsterdam University Press: Amsterdam, 2002), 209–14.

62 Soedjatmoko, 'Point Four and Southeast Asia', *Indonesië*, 4 (1950–1951), 3–4.

63 Feith, *The Decline of Constitutional Democracy*, 198–207.

Indonesian foreign minister, H. Agus Salim, titled *Indonesian Economic Manoeuvres in America*.

Initial contacts with America were strictly through US companies and these were mostly failures. In the various efforts to break through the Dutch blockade of the Republic during the revolutionary war, shipping companies such as Isbrandtsen and the Overseas Corporation tried to smuggle goods to Singapore. Dutch authorities confiscated the Isbrandtsen ship, while the Overseas Corporation got away with the money, costing the Republic some $500,000 worth of rubber and quinine. In 1947, Sumitro, who at the time was the Republican trade representative, along with Minister of Prosperity Adnan Kapau Gani, met with Matthew Fox, a well-known American businessman and vice president of Universal Pictures, to create the Indonesian–American Corporation.[64] The contract, signed in Havana, Cuba, on 3 January 1949, allowed the corporation to be granted a monopoly over the right to sell some Indonesian commodities. This contract was not valid after the transfer of sovereignty. Homan indicated that as much as $550,000 might have been loaned to support the Indonesian delegation in New York.[65]

American aid was institutionally realized through the ECA. In the early 1950s, the aid was diverted to Asia as a result of the Korean War and the opening up of East Asia, including Southeast Asia, as an important military front against communism. In June 1950, the director of the Far East Division of the ECA, R. Allen Griffin,[66] toured Asia in order to be able to recommend the scope and amount of aid needed for the countries/colonies of Southeast Asia. According to his recommendations, Indonesia was to receive the second-largest amount of ECA help (after Indo-China), totalling $14.5 million. Griffin also recommended that sixty-three technical experts be sent to Indonesia.[67] The amount that was ultimately given to Indonesia in October 1951 was $13 million, which was what was left over from ECA money spent on the Republic of China.[68] Aside from ECA aid, the US also provided $100 million of import credit

64 According to Peter Dale Scott, there was a possibility that Matthew Fox was a front-man for the CIA. Scott, 'Exporting Military-Economic Development', 213. This seems quite unlikely, though, as the US Secretary of State was quite critical of Fox's relationship with the Indonesian government.

65 Gerlof D. Homan, 'American Business Interests in the Indonesian Republic', *Indonesia*, 35 (April 1983), 125–32.

66 Griffin was an army intelligence veteran and later a trustee of the Asia Foundation, a CIA-funded organization. See Scott, 'Exporting Military-Economic Development', 212.

67 Australian Embassy, Washington, 5 June 1950, Memorandum for the Secretary, Department of External Affairs, Canberra, NAA, series no. A1838.

68 Australian Embassy, Jakarta, Memorandum no. 63, 14 February 1951, NAA, series no. A1838.

from the Exim Bank in February 1950, and a $5 million military grant linked to the signing of the Japanese Peace Treaty at the San Francisco Conference in 1951,[69] which had resulted in the fall of the Sukiman Cabinet.

As well as technical help, the Americans were also eager to provide institutional links to ensure that the Indonesian military remained anti-communist. On 3 October 1950, a US mission headed by Mr John F. Melby and Major General Graves B. Erskine arrived in Indonesia with the task of persuading the Indonesian government to accept arms free-of-charge from the US in return for participation in an American military aid programme. The mission was received by the president on 5 October and the American gentlemen held talks with Prime Minister Muhammad Natsir, Foreign Minister Mohammad Roem, Vice Premier Sultan Hamengkubuwono IX, and the chief of staff of the armed forces, General Simatupang. Indonesia was promised a $100-million package of aid in goods.[70] The military aid programme required a certain degree of US control of both the organization and the training of the armed forces, elements that the Indonesian government found hard to accept, even though it was felt that the military needed help in acquiring modern military hardware.[71]

Acceptance of the US military mission was politically impossible, considering the degree of suspicion in which the US was held by many of the leftist-leaning parliamentarians. At the same time, the Dutch were carrying out a similar military assistance programme through the Nederlandse Militaire Missie, which made the offer rather redundant. The failure of the Melby Mission did not, however, affect non-military American aid. Griffin had discussed the Colombo Plan mission with the Australians and stressed that each aid programme should be carried out on an individual basis with each country, without the need to create a complex organization. On 6 August 1951, Dr Samuel Perkins Hays was appointed chief of the ECA Special Technical and Economic Mission to Indonesia, replacing Shannon McCune.[72]

Lester Pearson, Canada's first ambassador to Indonesia, called the country 'the first child of the United Nations'. There was a belief amongst many in the West that left to its own devices, Indonesia would fail to develop and modernize.[73] In fact, quoting the Colombo Plan's technical aid chief, Geoffrey

69 Usha Mahajani, *Soviet and American Aid to Indonesia, 1949–1968* (Athens: Center for International Studies, 1970), 6.

70 Krol, 'Internationale hulp aan Indonesia', 7.

71 Australian Embassy, Jakarta, 12 October 1950, NAA, series no. A1838.

72 DMR, 'US Economist Named Head of Indonesian Mission', 25 June 1950, NAA, series no. A1838.

73 Webster, *Fire and the Full Moon*, 79–80.

Wilson: '[The] United Nations plays a much more important role here (in Jakarta) than in any other country in the area he had visited. Indonesia is desperately short of good Ministers and officials, but many of the United Nations people are good and they have had a long time there to acquaint themselves with local conditions. The result is that they pretty much decide what should be done in the fields in which they operate.'[74] The strength of influence of these foreign experts probably contributed considerably to the contempt and displeasure that people such as Roeslan Abdulgani and Sukarno felt for experts.

Initially, the foreign aid relationship was regulated by the Ministry of Trade and Industry (Kementerian Perdagangan dan Industri) through its Coordinating Bureau for Foreign Assistance (Biro Ko-ordinasi Bantuan Luar Negeri, BKBLN), which was created on 29 December 1950 under the command of C. v.d. Straaten, Achmad Ali, and J. Kramer. After the formation of the National Planning Council (Depernas), an Inter-Departmental Coordinating Committee (Panitia Koordinasi Interdepartemental, Pakin) was formed as a liaison agency for all the government bodies connected with foreign aid. Within the State Planning Bureau (BPN), a section was created to handle foreign assistance, headed by the future economists Ir. Mohammad Sadli and Ir. Sie Kwat Soen. During the Guided Democracy, with the creation of the Depernas and the termination of the BPN in 1959, foreign assistance was transferred to the Financial and Economic Bureau of the Office of the First Minister, usually called the Finek (Finansial dan Ekonomi).[75]

Within the Finek, throughout both the parliamentary and Guided Democracy periods, foreign-assistance relationships, at least civilian ones, were handled by social democrats or PSI-linked individuals at both the BPN and the Finek, which were both pro-Western and anti-communist. These bureaux were positioned under the Office of the Prime Minister (and, later on, the First Minister). Outside the top level of Indonesia's policymaking elite, enthusiasm for foreign assistance was low amongst Indonesian officials. The government was reluctant to allow foreign experts to work at middle or village levels. Two types of foreign personnel were sought: trainers, who would be given little

74 Webster, *Fire and the Full Moon*, 83.

75 It came under the auspices of the Finek (Biro Ekonomi dan Keuangan) in what was named the Office of Overseas Development (Bagian Kerdjasama Luar Negeri), which was similar to the Coordinating Bureau under the National Planning Bureau. All overseas cooperation had first to be approved by the Ministry of Foreign Affairs. 'Laporan Bagian Kerdjasama Luar Negeri. Biro Ekonomi dan Keuangan, Sekretariat Negara', ANRI, Menteri Negara Ekonomi, Keuangan dan Industri, inv. no. 2358.

authority, and experts, who would fill mid-range technical positions within the civil service.[76]

There were two forms of international relations. The first was through a direct contract signed by an expert with an aid agency and its respective national counterpart. For instance, much of the early aid to the National Planning Bureau occurred through this type of relationship, including the sending of economic experts such as Benjamin Higgins and companies such as the J. G. White Engineers Corporation to work on creating Indonesia's national plan. These relationships bypassed the universities, and the experts were contracted to work in a specific government unit, usually policymaking bodies. The second form of relationship was the university affiliation network. These relationships bypassed the structure of foreign recruitment developed by the Ministry of Public Service Employees (Kementerian Urusan Kepegawaian) and the PUTABA office and were regulated by the National Planning Bureau, which had a desk that controlled all international aid relationships. The two institutional matrices are presented in the diagram below. The third diagram shows the regular route for the establishment of a new international aid relationship.

The period 1950–1965 was thus one of massive interaction and transfers between Third World and First and Second World countries. In Indonesia's case, the most significant were the relationships with the American AID organization, the various UN organizations, and the Ford Foundation. The investments from these organizations established institutions within the landscape of the Indonesian state and provided Indonesians with the opportunity to study at various universities in the West in order to 'correct' their mindset and prepare them to run the institutions on their return to their home country.

The data sets above were obtained from the Finek.[77] They show the number of experts sent to the country by various international agencies throughout the period. America was the country most visited by Indonesians looking to obtain a higher education or technical training. American Aid, meanwhile, consistently provided the most aid money from Western nations throughout the period.

Soviet offers of aid had started relatively early on, in 1948. But as long as Indonesia was under the rule of social democrats, as exemplified by prime ministers Hatta, Natsir, and Wilopo, hostility towards the Soviet Union was strong.

76 'Foreign Technical Assistance in Economic Development in a Newly Independent Country. Some Observations in Indonesia', *Economic and Cultural Change*, 1/1 (March 1952), 78–9.

77 The Finek took on the management of foreign relations after the disbandment of the BPN in light of the creation of the Depernas.

FIGURE 1 University affiliation network
SOURCE: AUTHOR.

FIGURE 2 Experts funded by aid agency network
SOURCE: AUTHOR.

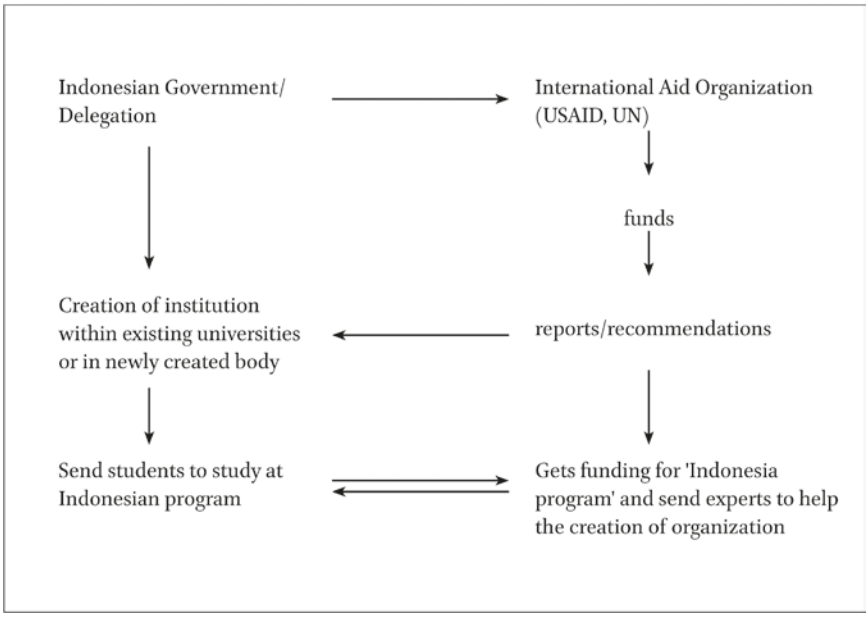

FIGURE 3 The international aid network in relation to US universities and aid agencies
SOURCE: AUTHOR.

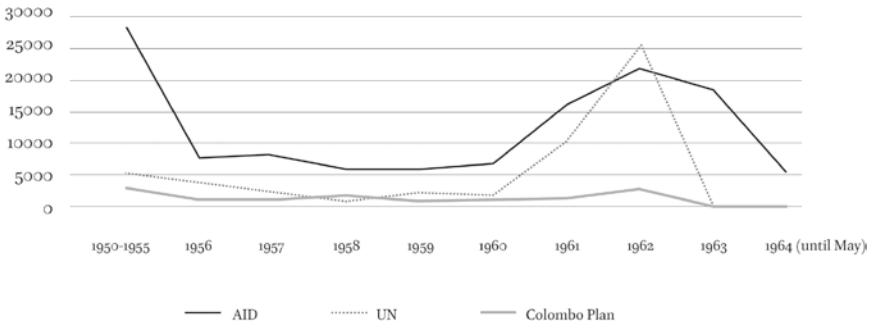

FIGURE 4 Aid per year from American AID, the UN, and the Colombo Plan. Figures represent thousands of dollars. ANRI, Menteri Negara Ekonomi, Keuangan dan Industri, inv. no. 2358. UN and Colombo numbers for 1963 and 1964 were not available

TABLE 7 UN assistance to Indonesia, 1950–1962, ANRI, Menteri Negara Ekonomi, Keuangan dan Industri, inv. no. 2358

Year	Experts	Trainees
1950/51	-	19
1952	64	44
1953	77	22
1954	69	23
1955	78	65
1956	95	54
1957	102	49
1958	100	47
1959	98	44
1960	83	36
1961	93	73
1962	102	118
Total	961	600

When the Wilopo Cabinet fell, in July 1953, there was a shift in Indonesian attitudes towards the Eastern Bloc, due to the dependence of Ali Sastroamidjojo's government on the support of the PKI. This coincided with the death of Stalin and the shift of power to Kruschev and his overtures towards the Third World. Trade and payment agreements were signed with China, Czechoslovakia, East

TABLE 8 USAID/ECA/ICA assistance, ANRI, Menteri Negara Ekonomi, Keuangan dan Industri, inv. no. 2358

Year	Experts	Trainees
1950–1955	228	604
1956	112	339
1957	154	428
1958	160	365
1959	178	349
1960	171	318
1961	325	517
1962	510	394
1963	230	n/a
1964 (April)	181	n/a
Total (1950–1962)	2.049	3,314

TABLE 9 Colombo Plan assistance, ANRI, Menteri Negara Ekonomi, Keuangan dan Industri, inv. no. 2358

Year	Experts	Trainees
1950–1955	23	333
1956	37	414
1957	42	150
1958	47	104
1959	49	139
1960	60	121
1961	15	247
1962	29	216
1963	22	346
1964 (May)	9	91
Total	302	1,724

TABLE 10 Eastern European assistance in the form of scholarships for Indonesian trainees, ANRI, Menteri Negara Ekonomi, Keuangan dan Industri, inv. no. 2358

Countries	1961	1962	1963	1964
USSR	50	135	150	-
Yugoslavia	-	10	20	6
Poland	-	7	8	-
Czechoslovakia	-	30	30	2
East Germany	45	-	3	7
Romania	11	2	10	-
Hungary	-	5	11	-
Bulgaria	-	2	5	-
Total	106	191	237	12

Germany, Poland, and the Soviet Union. In 1956, a large Soviet mission concluded a treaty with Indonesia, whereby a $100 million long-term, low-interest loan was provided. This was used for road building and various other projects. It was envisaged that technical aid for the Five-Year Plan (*Rantjangan Lima Tahun*) would be provided by the Soviet Union.[78]

The number of people sent to the Eastern Bloc, especially during the 1960s, was quite significant, with over three hundred people sent to study in the Soviet Union at higher-education institutions. Kruschev's visit to Jakarta in 1960 concluded an aid deal in excess of $700 million, with a $250 million military grant followed by a $400 million military grant in 1961 to assist with the struggle for West Papua.[79] By 1961, Indonesia had become one of the largest non-communist recipients of Soviet military aid.[80] Over a billion dollars in military aid would be given to Indonesia throughout the Guided Democracy period, meaning that aid to Indonesia amounted to a third of all aid given to non-communist countries by the Soviet Union. According to Guy Pauker, the rational reason for Soviet willingness to spend so much on the Indonesian military was to bribe the military to support a communist takeover of the country.[81]

78 Mahajani, *Soviet and American Aid to Indonesia,* 7–15.

79 Mahajani, *Soviet and American Aid to Indonesia,* 15–16.

80 A fifth of all Soviet aid to non-socialist countries went to Indonesia. Ragna Boden, 'Cold War Economics: Soviet Aid to Indonesia', *Journal of Cold War Studies*, 10/3 (Summer 2008), 116.

81 Guy Pauker, 'General Nasution's Mission to Moscow', *Asian Survey*, 1/1 (1961), 13–22.

Most of those sent to the Soviet Union went to study engineering and gain the technical know-how needed to run the various Soviet industrial-aid programmes, including the 1962 Asian Games, the Cilegon Steel Plant, the Superphosphate project in Sumatra, the farming mechanization project, and the projected oceanographic institute in Ambon. Over one hundred Indonesian trainees were sent to study petroleum engineering as part of Indonesia's wish to reduce its dependence on Western oil companies, and 125 were sent to study at the Patrice Lumumba University in Moscow.[82] Conversely, five hundred Soviet experts were sent to Indonesia to supervise the execution of Sukarno's grandiose projects.[83]

9 National Planning and Technical Assistance

Two important men figured throughout the 1950s in connection with the creation of the Indonesian development plan: the Rotterdam economics graduate Sumitro Djojohadikusumo and the engineer Djuanda Kartawidjaja. Sumitro Djojohadikusumo, the son of well-to-do aristocrat Margono Djojohadikusumo, was born on 29 May 1917 in Kebumen, Central Java.[84] After completing his secondary education at a European school in Java, he went on to study economics at Rotterdam. He completed his doctorate in 1943 under the Indologist Professor Gonggrijp with a dissertation on small-scale credit.[85]

Because connections between Indonesia and the Netherlands had all but ceased during the war, Sumitro remained in Rotterdam until the end of the war, working at the Rotterdam Hogeschool. After the war, Sumitro initially joined the Dutch delegation as an adviser.[86] In 1945, Sumitro returned to Indonesia to edit *Berita Perekonomian*. He then became an assistant to the Ministry of Finance (Kementerian Keuangan) and to Prime Minister Sjahrir's office.[87] He became one of the Indonesian representatives in the Office of Permanent Observers of Indonesia at the UN Security Council, alongside Soedarpo

82 ANRI, Menteri Negara Ekonomi, Keuangan dan Industri, inv. no. 2358.

83 For more on foreign aid numbers, see Donald Hindley, 'Foreign Aid to Indonesia and its Political Implications', *Pacific Affairs*, 36/2 (Summer 1963), 107–19.

84 For more on his biography, consult Aristides Katoppo et al., *Sumitro Djojohadikusumo. Jejak Perlawanan Begawan Pejuang* (Jakarta: Pustaka Sinar Harapan, 2000).

85 Katoppo et al., *Sumitro Djojohadikusumo,* 1–15.

86 Sumitro Djojohadikusumo, 'Recollections of My Career', *Bulletin of Indonesian Economic Studies*, 3/22 (1986), 42–4.

87 Webster, *Fire and the Full Moon*, 78.

Sastrosatomo, Soedjatmoko, and Nicodemus Lambertus Palar. Benjamin Higgins described him as 'one of the most brilliant economists in all Asia'.[88]

By 31 March 1950, the Indonesian ambassador to the United States and future premier, Ali Sastroamidjojo, gave a talk at a dinner held in his honour in New York on the Indonesian plea for technical assistance which, according to him, was 'fundamentally a social rather than an industrial reform which must begin with education and technological assistance from all countries of the world which have the advantage of experience'.[89] Later, in June 1951, Sumitro Djojohadikusumo, then adviser to the minister of economic affairs, undertook his European–American tour to look for experts for the State Planning Bureau and the various banks in Jakarta. He had with him a list of 180 expert roles that were needed to formulate and carry out Indonesia's first national plan. Although initially Sumitro wanted to obtain Dutch expertise for at least six important positions in the BPN, he failed to find anyone willing to leave for Indonesia.[90]

In the end, he found help from UNESCO in New York, which promised twelve financial economic experts, who would be paid for by the organization. The BPN was to be headed by an Indonesian, with the foreign experts serving as executive staff members and senior officers. The bureau's position was not that of a 'super department', thus its coordinating capabilities with respective ministers depended much on the tact and capability of its leadership to gain trust and respect amongst the other ministerial members.[91] The UN's Technical Assistance Board approved Indonesia's request in a meeting on the 24–28 July 1951.[92] The Indonesian project was greeted with much approval from many within the UNTAA. Indonesia was 'one of the most significant among those we have been privileged to assist in developing'.[93]

10 State Planning Bureau–UNTAA Cooperation

The BPN was one of the most important expert bodies in the 1950s. It was created in 1952 and placed under the Office of the Prime Minister. The BPN also

88 Higgins and Higgins, *Crisis of the Millstone*, 81; NAA, United States of America – Relations with other countries – Pacific – Indonesia, A1838.

89 'Indonesia Wants Technical Assistance, Envoy Says', 31 March 1950, NAA, A1838.

90 'Internationale technische hulpverlening', 18 Juni 1951, NA, Hoge Commissariaat Indonesië.

91 Sumitro Djojohadikusumo, *Bunga Rampai Ekonomi* (Jakarta: Indira, n.y.), 259–61.

92 Bureau voor Internationale Technische Hulp, Buitenlandse Deskundigen voor Indonesië, 25 September 1951, NA, Hoge Commissariaat te Bandoeng, 1950–1957.

93 Webster, 'Development Advisors in a Time of Cold War and Decolonization', 260.

contained the largest number of experts working on the Indonesian economy. Its control over foreign aid meant that the BPN also controlled the nation's creation of experts. The BPN was not only essential in creating experts but was also important in forging an *esprit de corps* amongst policymakers and economists. According to the engineer Koesoediarso Hadinoto,

> The BPN effectively and productively creates cadres. The experts of the BPN are given the tools to act rationally and capably and also to always act in a nationalist manner to contribute to the state and the nation. These experts are then sent to a variety of government offices and state-owned companies. The emotional bonds that have been created amongst them are kept alive and contribute to aiding cooperation between the offices they lead, in accordance with the approach and problem-solving methods they've learned during their stay at the BPN.[94]

Prior to the arrival of UNTAA experts, the government contracted the engineering consultancy firm J. G. White Engineering Corporation in January 1951, which was financed by the ECA.[95] By mid January 1951, the corporation's team of consultants had arrived in Jakarta under the leadership of Mr Henry Tarring. The J. G. White consultants worked behind the scenes, drawing little press attention. This suited the Indonesian government, which was wary of being seen to be too dependent on foreign consultants.[96] Their presence, however, was

94 Ali Budiardjo, 'Abdi Negara dan Abdi Bangsa', in Awaloeddin Djamin (ed.), *Ir. H. Djuanda: Negarawan, Administrator, Teknokrat Utama* (Jakarta: Kompas, 2001), 255. According to Koesoediarso Hadinoto, 'Biro Perancang Negara benar-benar efektif dan produktif sebagai wadah dan sarana kaderisasi. Para tenaga ahli Biro Perancang Negara dibekali metode berfikir dan bertindak yang rasional dan andal, serta selalu berjiwa kebangsaan dengan itikad berbakti kepada negara dan bangsa. Kemudian para tenaga ahli itu disebarkan ke berbagai instansi Pemerintah serta Badan Usaha Milik Negara. Ikatan batin antara mereka terpelihara secara berlanjut, sehingga memperlancar kerjasama antara instansi-instansi yang mereka pimpin, berdasarkan metode pendekatan dan penyelesaian masalah yang dulu mereka pelajari bersama di Biro Perancang Negara.'

95 Australian Embassy, Jakarta, Memorandum no. 63, 14 February 1951, NAA, A1838, Republik Indonesia Serikat – Foreign Aid to Indonesia. The J. G. White Engineering Corporation were, however, quite successful in developing parts of the Taiwanese industry, including the development of its plastic industry. Nan Wiegersma and Joseph E. Medley, *US Economic Development Policies toward the Pacific Rim. Successes and Failures of US Aid* (Basingstoke: MacMillan Press, 2000), 55.

96 The uproar over the presence of former Nazi finance minister Hjalmar Schacht, whom Sumitro Djojohadikusumo invited to conduct a three-month study of the financial position of the country, offered a good lesson in focusing on low-key deployment. Hjalmar Schacht, *Laporan Hjalmar Schacht* (Jakarta: Kementerian Penerangan, 1951).

met with irritation and suspicion amongst the Dutch consultants still working for the government, especially as they feared that long-established Dutch methods would be called into question and that the consultants' involvement would function as a backdoor for American enterprises to gain access to Indonesia.[97] In terms of creating a national plan, however, the government did not consider the J. G. White Engineering consultants to be very useful. Their suggested plan for industrialization was considered less than stellar.

In June 1952, Professor Benjamin Higgins, who had previously been working in Libya for the United Nations Temporary Executive Authority (UNTEA), was appointed as a UN adviser on monetary and fiscal matters to both the Indonesian Ministry of Finance and Economic Affairs (Kementerian Keuangan dan Urusan Perekonomian) and the State Planning Bureau. In 1954, he returned to Indonesia as director of the MIT Center for International Studies project on Indonesia. In 1959, he left the MIT project to teach at the University of Texas and decided to study Latin America because of his frustration with Southeast Asia's lack of development at the time.[98] Higgins was one of the world's leading authorities on development economics. He had begun his career teaching economics at the University of Melbourne in 1948 and had worked for the ILO during the war. The importance placed on Higgins's advice by Sumitro was illustrated by the location of his office, which was next door to Sumitro's.[99]

Although the ECA funded much of the research in Indonesia during this period, the coterie of experts had an international character. The first UN technical mission to the BPN consisted of nine experts, four of whom were Canadians, including Benjamin Higgins and Nathan Keyfitz.[100] In fact, Higgins, as head of the UNTAA mission in Indonesia, hand-picked the entire team, which included American Edgar McVoy, a labour expert who would introduce Indonesia to the Training Within Industry (TWI) labour management programme;[101] South African income expert Daniel Neumark; British industrial economist Peter

97 Australian Embassy, Jakarta, Memorandum no. 63, 14 February 1951, NAA, A1838, Republik Indonesia Serikat – Foreign Aid to Indonesia.

98 Higgins, 'Thoughts and Action', 37–47.

99 J. A. C. Mackie, 'In Memoriam: Professor Benjamin Higgins, 1912–2001', *Bulletin of Indonesian Economic Studies*, 37/2 (2001), 183–8. He also regularly saw Sjafruddin Prawiranegara, head of the Bank of Indonesia, and attended the bank's weekly board meetings. Higgins, 'Thoughts and Action', 37–47.

100 Webster, *Fire and the Full Moon*, 78–9. T. R. Smith from New Zealand was to consult on management issues. ANRI, Kementerian Keuangan 1950–1969, inv. no. 276.

101 He had previously introduced the TWI programme to Japan and Malaya. Alan G. Robinson and Jean M. Schroeder, 'Training, Continuous Improvement and Human Relations: The US TWI Program and the Japanese Management Style', *California Management Review,* 35/2 (Winter 1993), 35–56.

Diebold; migration expert D. M. Deane; and New Zealand education specialist T. R. Smith.[102] Many of the UN technical assistance experts were civil servants who believed in Keynesian economics and Fabian social-democratic ideals. British Fabian values were cherished in the PSI circle.[103] This meant that there was a considerable ideological affinity between Sumitro and Higgins.[104]

Higgins wielded his huge authority without much democratic oversight. Although Djuanda was the head of the BPN,[105] it was Higgins who went abroad to seek international aid and it was he who reviewed these aid programmes. It was his decision to renew the J. G. White Engineering Corporation contract, for instance.[106] He wrote that the Indonesian government accepted his advice with 'frightening willingness'. In a Colombo Plan meeting, one observer wrote that people had mistaken him, instead of Djuanda, as head of the BPN.[107] Such enormous freedom for the technical assistance team saw Higgins praising the country:

> In Sjafruddin and Sumitro, the country had a duumvirate on economic policy that few underdeveloped countries could match for competence and commitment to the national interest. The Wilopo Cabinet was composed of extraordinarily able and honest men. In the Planning Bureau and its relationship to other government agencies abroad, the country had an effective instrument for development planning.[108]

In 1957, when Djuanda was appointed prime minister, leadership of the BPN went to his right-hand man, Ali Budiardjo. Budiardjo had been secretary general to the minister of defence under Sultan Hamengkubuwono IX,[109] another

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102 ANRI, Kementerian Keuangan, inv. nos. 293, 294.

103 Feith, *The Decline of Constitutional Democracy*, 130.

104 Webster, *Fire and the Full Moon*, 80–1. 'PSI policies were "remarkably similar" to those being developed by the national CCF in the same period.' The CCF was the Co-Operative Commonwealth Federation of the government in Saskatchewan, Canada, which relied on social-democratic planning.

105 ANRI, Kabinet Presiden Republik Indonesia 1950–1959, inv. no. 1381.

106 Memorandum from Benjamin Higgins to Minister of Finance Sumitro Djojohadikusumo on the renewal of the J. G. White contract, ANRI, Departemen Keuangan 1950–1969, inv. no. 294. According to a BPN file, the J. G. White Engineering Corporation was still working for the BPN in January 1955. ANRI, Kabinet Presiden Republik Indonesia, 1950–1959, inv. no. 1381 and Departemen Keuangan 1950–1959, inv. no. 294.

107 Webster, *Fire and the Full Moon*, 84.

108 Higgins and Higgins, *Crisis of the Millstone*, 88.

109 I. O. Nanulaita, 'Ir. Haji Djuanda Kartawidjaja', in Awaloeddin Djamin, *Pahlawan Nasional Ir. H. Djuanda Kartawidjaja. Negarawan, Administrator dan Teknokratutama* (Jakarta: Kompas, 2001), 110.

technocratic figure, from 1950 to 1953. In May 1953, Sumitro had offered him the job as interim director general of the BPN before Djuanda took the reins. Like many intellectuals, he was close to Sjahrir during the Japanese occupation. He earned a master's degree at MIT's School of Industrial Management in 1962.[110] Djuanda and Budiardjo worked closely with one another until the dissolution of the BPN in 1959 and the transfer of Budiardjo into Djuanda's Financial and Economic (Finek) Bureau under the Office of the Prime Minister. He played a seminal role in helping to create the Depernas. Thus, during the transition to Guided Democracy, there was some continuity for the planning bureau due to the existence of this relatively small bureaucratic body placed deep within the government.

With a highly fragmented government and little ability to coordinate amongst themselves, new institutions were created to take over the jobs that the ministries were supposed to accomplish, all of which were placed under the control of the Office of the Prime Minister. The universities were part of that institutional framework. The Institute for Economic and Social Research (Lembaga Penjelidikan Ekonomi dan Masjarakat, LPEM) at the Jakarta School of Economics (Fakultas Ekonomi), University of Indonesia fulfilled the role of the ministries. The institute, along with the National Planning Bureau and the Department of Industry, studied the development of industry after independence, publishing its findings in January 1954. Because it was a university-based institution, it was able to compile, interpret, and appraise the data in an independent and objective way.[111]

11 Fakultas Ekonomi-Universitas Indonesia (FEUI)

Perhaps no other higher-learning institution held such an important place in modern Indonesian history as that of the FEUI. This was due to the role Sumitro Djojohadikusumo, institution builder par excellence, played in its development. He built the faculty from the ground up and persuaded Dutch professors who were in Indonesia to teach, even though many of them were not trained economists and taught 'old-fashioned' economics. Sumitro reformed and overhauled the economics curriculum of the country: the legal-continental approach taught by Dutch professors was replaced with a more Keynesian approach. Sumitro wanted to create a Jakarta School of Economics that would be

110 With a thesis titled 'Management Education in Indonesia'.

111 Sumitro Djojohadikusumo, *The Government's Program on Industries. A Progress Report by the Institute for Economic and Social Research* (Jakarta: LPEM, 1954), 1–2.

at the leading edge of economics research. He wanted to introduce developmental economics in which the state, not the firm, would be the main focus of analysis. According to Emil Salim, it was he who introduced macroeconomics to Indonesia, away from the focus on the firm, in which many of the Dutch professors had specialized.[112]

Sumitro's relationship with the Americans provided access to scholarships and research money from the West. In 1951, he signed an agreement with Everett Hawkins, who was working at the ECA at the time. The ECA gave a $400,000 grant to finance American economists to teach at the faculty. Although he was in contact with the Ford Foundation when it opened its office in Jakarta in 1952, he was only able to coax an agreement from them by 1956. His agreement with the Ford Foundation and the University of California, Berkeley enabled some of the brightest economics students in Indonesia to continue their studies in the US. Twenty students were sent to various universities in the United States in several batches.[113] This, of course, enabled the rise of the notorious 'Berkeley Mafia', which was headed by Sumitro's most able student and the lead technocrat of the New Order, Widjojo Nitisastro.[114]

Sumitro also played a central role in the creation of the LPEM, which was funded by the Ford Foundation and became a centre for research and a place where young social scientists were able to obtain practical experience through internships at the BPN. In 1955, Sumitro founded the Association of Indonesian Economists (Ikatan Sardjana Ekonomi Indonesia, ISEI), a professional organization.[115] Through the formation of such institutions and through the links they had with American funding organizations, a class of experts, or in Higgins' words, a 'community of scholars', was created that had both an *esprit de corps* and a similar ideological approach to the main questions plaguing the nation.

The shift in education also represented a shift in the thinking of the nation. The Ford Foundation thus made English-language education a central component of its aid.[116] What had to change was not merely the language, but how that language conveyed a different set of assumptions about the perception of reality. The 1950s thus not only saw a shift from Dutch to English, but also a shift in the sound bites that peppered elite speech. A look at the newspapers of

112 Goenawan Moehammad, *Celebrating Indonesia. Fifty Years with the Ford Foundation. 1953–2003* (Jakarta: Ford Foundation, 2003), 48–60.

113 Moehammad, *Celebrating Indonesia*, 48–60.

114 Other members included Ali Wardhana, Soebroto, Daoed Joesoef, J. B. Soemarlin, Emil Salim, J. E. Ismael, and Dorodjatun Kuntjoro-Jakti.

115 Moehammad, *Celebrating Indonesia*, 46–7.

116 Bresnan, *At Home Abroad*, 34.

the decade shows an increasing use of English words such as efficiency, national planning, and management. Thus, the expansion of American education, books, and other materials created a significant cultural change. These changes were wrought through magazines and other cultural media, which heralded what Vickers called 'the atomic age'.[117]

12 Ford Foundation–MIT–CENIS

The first Ford Foundation delegation visited Indonesia on 7 July 1952. They stayed from 12 August to 11 September 1952 and visited Jakarta, Bandung, Yogyakarta, and Surabaya. The report of the visit outlined the importance of Indonesia to the foundation: 'Because of the speed with which Indonesia has advanced from colonial to sovereign status, because of the complex and difficult problems it faces with few resources in trained personnel, and because its ability to transform itself into a modern state without becoming a totalitarian regime or falling into anarchy is important to all of the free world, Indonesia is today a country of unique significance.'[118] The report concluded that Indonesia needed trained personnel, as there were more 'economists in Washington working on the Indonesian problem than there are in all Indonesia'. Sukarno had impressed Brown and Arnold immensely and they were able to confirm the approval of a $150,000 grant to send American English teachers to Indonesia in 1953–1954. They offered help to train vocational teachers and to establish an institute for public administration.[119]

They also stressed the need for greater knowledge of the country. In 1951, the Ford Foundation provided a grant to Stanford University to investigate the state of Asian studies in the US, and in 1952 it granted eighty-three fellowships in the study of Asia and the Middle East. In 1953, the Foundation gave a $125,000 research grant to MIT to study economic development in Indonesia, India, and Italy. This was part of a larger research initiative at the MIT Center for International Study, which included research into communist societies by Walt Rostow and a study of the formation of public opinion in France led by Daniel Lerner.[120] The Indonesia Program was the result of a three-week discussion

117 Adrian Vickers, *A History of Modern Indonesia* (Cambridge: Cambridge University Press, 2005), 126–33.

118 Quoted in Bresnan, *At Home Abroad*, 27.

119 Bresnan, *At Home Abroad,* 31–3.

120 Benjamin Higgins, 'The Indonesia Project of the Massachusetts Institute of Technology-Center for International Studies', *Ekonomi dan Keuangan Indonesia*, 3 (1955), 151–4.

between the director of the centre, the director of the project, and various Indonesian officials, both in the government and at Universitas Indonesia. The focus of the research was on financing economic development, patterns of trade, the technological aspects of economic development, management and administrative techniques, and quantitative studies.[121]

The programme also researched a wider variety of topics related to economic growth in Indonesia. These studies were meant to offer a precision instrument to understand the underlying problems of the economy, thus 'providing the analytical knowledge which must precede the use of the surgeon's corrective knife'.[122] The programme's focus on government administration and the labour supply led to more extensive political change becoming one of the recommendations of the study. Studies in collaboration with Universitas Gadjah Mada painted a picture of a passive Indonesian society, waiting for government intervention: 'The government is regarded as the accepted agent for introducing new techniques of production and exchange, and the population is quite willing to accept changes in economic institutions so long as they do not greatly alter the existing social and cultural patterns.'[123]

The project supported the shift to a welfare-state system of government, under which the state would provide infrastructural development such as transportation infrastructure, education, and social welfare programmes in order to create a labour force ready for the coming industrialization. A study of the tax base, government efficiency in utilizing this tax base, the economic impact of taxation, patterns of government expenditure, and the relationship between the government's capacity for developmental investment and government borrowing and structures were all important areas of study for helping to understand the relationship between the government and economic development. A history of trade union movements and their relationship with economic development, the political structure of the country and its relationship with foreign aid, and other forms of social science research all provided a multidisciplinary approach to tackling the problems of economic development.[124]

The funds provided by the International Training and Research Institute enabled Max Millikan, head of the Center for International Studies at MIT, to send, among others, Douglas Paauw to study fiscal structure, Benjamin Higgins to look at national income, and Guy Pauker to study the political environment.

121 Higgins, 'The Indonesia Project', 155–7.

122 Douglas Paauw and William C. Hollinger, 'Research Plan for Indonesian Economic Development', Indonesia Project Plans 1, 18 February 1953.

123 Paauw and Hollinger, 'Research Plan for Indonesian Economic Development'.

124 Paauw and Hollinger, 'Research Plan for Indonesian Economic Development'.

Guy Pauker would become influential during the 1960s, helping to strengthen the relationship between the new generation of economists and the military officers within the Seskoad.[125] The MIT project was the result of cooperation amongst social scientists at Harvard and MIT to study various problems of the post-war world, from communication to communism and economic development.[126] Benjamin Higgins, head of MIT's Indonesian Project, questioned the professional quality of the research being carried out by these academics,[127] signalling his dissatisfaction with the programme. Unlike the UNTAA programme, their relationships with, and attachment to, the National Planning Bureau were unsuccessful.

Benjamin Higgins was struck by how his work with the MIT project was practically the same as when he had been an official adviser to the government under the UNTAA. At no other time in Indonesian history have so many foreign experts had such a large amount of authority within the Indonesian government. They were not only researching, designing institutions, and developing new systems, but also actively producing Indonesia's next wave of economists and social scientists. Discussions on economic policy were conducted within what was called Sumitro's 'kitchen cabinet':[128] by the board of directors of the Bank of Indonesia, by the BPN and its working group, at the Harmonie Club, and in the journal *Keuangan dan Ekonomi Indonesia*.

In 1956, in cooperation with Sumitro, the foundation started shipping in American economists, mostly from the University of California, Berkeley, to take over the roles left by departing Dutch professors. A new post-graduate economics programme had begun and Indonesian faculty members had the opportunity to study abroad at prestigious universities in the US for a PhD in economics. The first group included Widjojo Nitisastro and Mohammad Sadli. The second group included economist Emil Salim. By 1962, the Ford Foundation, through the University of California had trained some forty economists. Between 1953 and 1965, the Ford Foundation funnelled $15 million worth of aid to Indonesia, practically all in the form of education. Around four hundred Indonesians had been given fellowships to study abroad – most of them as part of a long-term plan to build a national system of teaching colleges, focusing on English, science, and mathematics.[129] Many of these American-trained

125 He was one of the supporters of the idea of the army as a positive force for reform and a provider of leadership. Guy Pauker, *The Role of the Military in Indonesia* (Santa Monica: Rand Corporation, 1960), 59–65.

126 Higgins, 'The Indonesian Project', 152–9.

127 Bresnan, *At Home Abroad,* 76.

128 A group of unofficial advisers with undue influence.

129 Bresnan, *At Home Abroad,* 66.

economists would teach the courses run for higher-echelon military personnel at the Military Academy (Seskoad) in Bandung as part of the Leknas–Seskoad cooperation agreement. It was on these courses that Suharto met with many of the economists who would craft the economic policy of the New Order for him.

13 The 1956–1960 National Plan and Guided Democracy

The National Plan was finally written in 1956, but only ratified by Parliament in 1959. Later, during the transition to Guided Democracy, Benjamin Higgins's idea of the Big Push was central; it was 'big mainly in the ratio of savings and investments to national income',[130] that is, in calculating the incremental capital-to-output ratio to determine the rate of efficiency of investment both from foreign investment and domestic savings. Although Higgins contributed to writing the plan, he had no final say.

Higgins was quite critical of the plan and thought it weak, especially in relation to statistics and numbers. The population growth assumption of 1.7 per cent was considerably on the low side. The Incremental Capital Output Ratio, put at two to one, was also considered too low. The targets were too modest and indicated compromises with the political elites. Take-off growth was assumed to happen at the level of Rp 12–15 billion investment per year, yet the plan targeted Rp 6 billion in investment in the first five years and it was only in the fourth Five-Year Plan that a figure would be reached that would support take-off growth. No austerity measures on consumption were taken to reallocate capital to the productive sector; in fact, only 40 per cent of the increase on per capita income would be reinvested, the rest would go to consumption. The plan also assumed that private and foreign investment would supply 60 per cent of capital needs, yet the necessary reform measures for investment incentives in areas such as land policy, squatting policy, tax, and monetary policy had not been carried out, although a foreign investment, mineral, and oil bill was passed.[131]

By the time that the plan was ratified by Parliament, the period it covered had almost ended. Significant changes in economic and political aspects of the country had made it redundant. Inflation had spiked as a result of massive deficit spending when the country lurched into civil war, and Sumitro, along with colleagues from the PSI and Masjumi, joined the PRRI rebellion in

130 Higgins and Higgins, *Crisis of the Millstones*, 71.

131 Benjamin Higgins, 'Introduction', in Douglas Paauw, *Financing Development. The Indonesian Case* (Glencoe: The Free Press, 1959), 15–28.

Sumatra. The National Planning Board (Dewan Perantjang Nasional, Depernas) had replaced the State Planning Bureau, and this new planning agency was focused on a broader range of issues in line with the Guided Democracy's revolutionary intention, producing an eight-year national plan that was written by non-economists and heavily criticized for being unrealistic.

Yet, social scientists like Benjamin Higgins were initially positive about the early Guided Democracy. Prime Minister Djuanda was seen to be a sensible, technocratic choice, which augured well for sober, less grandiose, and more rational planning. Sumitro's earlier industrial plans had failed because of the lack of administrative and entrepreneurial capabilities. Higgins pointed out several changes in the way that the Indonesian leaders viewed the situation. The relationship between political stability and economic growth was much clearer; economic growth was a precursor to redistribution. Higgins believed that communist involvement had been discredited due to its role in nationalization, and he thought that the cultural idea of a village consensus had been discredited too.[132] This upbeat view of the Guided Democracy was shared by many in the modernist camp of the Kennedy Administration of the United States.[133] There was a deep underlying belief that rational Indonesian technocracy was just under the surface, struggling to break free and take over the national leadership.

14 Foreign Experts and Indonesian Authority

American aid was a rather sensitive subject in Indonesia. Although the country was more predisposed to the Western bloc in the early 1950s, Suraputra noted that 'most Indonesians feel that their country lies much more exposed to the economic and military power of the United States and associated countries than it does to Soviet Russia or China'.[134] The root of this elite ambivalence for the US was the perceived notion that the US had backed the Netherlands during the revolutionary period, later had approved Dutch control of West Papua, and, after the outbreak of war in 1958, had given clandestine support to the rebels in Sumatra, West Java, and South Celebes. This view of America affected the way Indonesia interacted with the US throughout the period.[135]

132 Higgins, 'Introduction', 46.

133 Bunnell, 'The Kennedy Initiatives', 85–90.

134 D. S. Suraputra, 'The Role of American and Soviet Aid to Indonesia', MA thesis, Institute of Social Science, The Hague, 1967, 5.

135 Daniel Novotny, *Torn between America and China. Elite Perception and Indonesian Foreign Policy* (Singapore: Institute of South East Asian Studies, 2010), 105–7.

Foreign experts were concentrated within the office of the BPN and around Sumitro Djojohadikusumo and Benjamin Higgins. Others, such as Edward Lichtfeld and Alan C. Rankin, or the Kentucky Team at the Agricultural Institute in Bogor, were part of a panoply of specific projects for the development of certain parts of the Indonesian expert production system. The Five-Year Plan, with its focus on a Big Push dependent on foreign investment, was politically unacceptable. Yet, the failure of the BPN's Five-Year Plan showed how weak the authority of this expert group was. Sukarno's Guided Democracy achieved a *coup d'état* over this weak authority. Parliamentary democracy and the political party system were often considered the primary quarry of Sukarno's Guided Democracy policy, yet his main target was the PSI and their Masjumi political supporters and, by extension, the main intellectual experts in the country.

By 1958, a large proportion of the intellectual experts, including Sumitro, had defected to the PRRI rebellion. Asked by Kennedy whether Indonesia's intellectuals backed Sukarno's government, Soebandrio, who had accompanied the president on his 1961 trip to the US, had answered, 'The Indonesian intellectuals are a reactionary group. They cannot be asked to participate in the revolution.'[136] When Soedjatmoko, a leading intellectual and friend of Soebandrio, asked Soebandrio why, his answer was that Sukarno deeply resented intellectuals. For those within the intellectual circles, the first shock came from the result of the 1955 election, in which the PSI, the intellectual party par excellence, garnered a measly 5 per cent of the vote. Four parties came out of the election as major players in Indonesian politics: the nationalist Sukarnoist PNI, the modernist Muslim Masyumi, the traditional Muslim NU, and the communist PKI.[137]

Despite being politically weak, those surrounding the BPN, primarily Indonesian and American, Canadian, and Australian experts, formed what Benjamin Higgins called a 'community of scholars'. This included economists such as Higgins, Douglas Paauw, and William Hollinger; political scientists such as Guy Pauker, Jean Mintz, and Ruth McVey; and anthropologists such as Clifford Geertz and the members of his field team, which included Alex Dewey, Donald Fagg, Hildred Geertz, Edward Ryan, and Robert Jay.[138] The 'community of scholars' also transcended geographic boundaries and created connections between places, from the BPN and FEUI to the Boston–Cambridge area, Wisconsin and Ithaca in the US, and Windsor and Montreal in Canada.

136 Rosihan Anwar, *Sukarno, Tentara, PKI. Segitiga Kekuasaan sebelum Prahara Politik, 1961–1965* (Jakarta: Obor Indonesia, 2001), 46.

137 Feith, *The Decline of Constitutional Democracy*, 424–40.

138 Mackie, 'In Memoriam: Professor Benjamin Higgins', 183–8.

These geographical points, the headquarters of universities, perfectly characterized the institutionalized technical aid world, which functioned as a provider of experts and as a legitimizer of its own brand of modernization theory. Within the MIT Center for International Studies, these experts included sociologist Daniel Lerner, whose work on the passing of traditional society had made a significant contribution on Anglo-Saxon modernism.[139] The economists included Paul Samuelson, Evsey Domar, and Robert Solow, whose work on the Solow–Domar growth equation later earned them Nobel prizes. George Kahin at Cornell; Everett Hawkins, Hans Schmidt, and Ted Morgan in Wisconsin; Bruce Glassburner in California; and scholars from McGill and the University of British Columbia represented an array of very distinguished names in the social sciences who were working to decipher Indonesian modernity. Especially important in this regard was the group's access to President Kennedy when he was making policy decisions. Walt W. Rostow recalled the situation: 'Kennedy sought out and found in CENIS a group whose ardent commitment was to enlarged development aid rather than to party or political personality. He understood this clearly and used us well.'[140] Rostow, along with Max Millikan, became what Nils Gilman called Kennedy's 'mandarin of modernity'.[141]

There was an expansion of intellectual interest in Indonesia. New books on Indonesia gradually replaced Dutch works after the shift from Dutch experts and advisers to American ones around 1957.[142] Significantly, these social scientists were, as Higgins admitted, clueless about economic development, and tried to figure out the system that was most suited to the Indonesian condition. Albert O'Hirschman, another technical expert and modernization theorist, said: 'I went to Colombia in 1952 without any prior knowledge of [...] development [...] [I later] discovered I had acquired a point of view of my own that was considerably at odds with current doctrines.'[143] Knowledge production was thus a confluence of the anti-communist ideology of American modernization and the harsh realities of localized context.

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139 Daniel Lerner, *The Passing of Traditional Society: Modernizing the Middle East* (Glencoe: The Free Press, 1958).

140 Taffet, *Foreign Aid as Foreign Policy*, 20.

141 Gilman, *Mandarins of the Future*, 115–202.

142 The Dutch had a long tradition of planning in Indonesia, especially in social programmes, but this differed from the large and intricate periodical developmental plans that became the economic policy of the New Order. Despite this, some of these Dutch projects continued after independence. See Leonard Blussé et. al., *India and Indonesia from the 1920s to the 1950s: Origins of Planning* (Leiden: Brill, 1987).

143 Kirk S. Bouman, *Military, Democracy and Development. The Perils of Praetorianism in South America* (University Park: Pennsylvania State University Press, 2002), ix.

In terms of the role of government, there was no doubt among anyone who had been to Indonesia that a government-led economic plan was the only way in which Indonesia could move forward.[144] This role differed considerably from the state planning of the Soviet Union or communist China, but it was also very different from the freewheeling capitalism of yesteryear. Yet, for all the state-led ideas that had been discussed during the period, the situation of the Indonesian state as a parliamentary democracy was never disputed. It was accepted that the political problems and the country's instability were issues that were negatively affecting the capability of the state, resulting in what Gunnar Myrdal called a 'soft state',[145] but there never seems to have been any discussion of a change in the political landscape of Indonesia. It would obviously have been impudent for foreign experts to suggest something that was definitely outside their area of authority, but even in discussions with Indonesian economists such as Sumitro Djojohadikusumo or Sjafruddin Prawiranegara no one seems to have brought up the idea of changing the political system.

Awareness that the military was becoming a major proponent of both political stability and economic development grew only gradually and not obviously. Political scientists like Guy Pauker would gradually realize the potential of military men and think of them as the most promising and rational of the Indonesian elite, but this realization would not come about until the late 1950s. When Sukarno started his campaign to bury the party and initiate a major change in state–society relations, Sumitro, Sjafruddin, Mohammad Natsir, and many of the more technocratic-minded elite of Indonesia rebelled against the central government. It was this discrepancy between the old intellectuals of the 1950s and the new intellectuals who had started to emerge by the late 1950s that was to be one of the more significant factors of the period.

At the international level, the 1950s was a rather naïve decade. President Eisenhower's policy on aid contained no specific strategy other than to support economic and social development. It was hoped that such assistance would push economic growth and thus reduce the temptation of communism in much of the developing world. By the end of the 1950s, the world had seen a series of developments which had toppled democracies in many developing nations. Parliamentary democracy was being discredited on an international

144 This does not mean that state-led economic centralization was the only option available. Experts also discussed the possibility of decentralized economic development. For instance, Douglas Paauw, 'The Case for Decentralized Financing of Economic Development in Indonesia', *The Far Eastern Quarterly*, 15/1 (November 1955), 77–95.

145 Gunnar Myrdal, *The Asian Drama. An Inquiry into the Poverty of Nations* (Middlesex: Penguin Books, 1968), 891–900.

scale and the American response was to change its aid strategy. Instead of development per se, the Kennedy-era approach to aid was to connect it intimately with the war on communism, thus redirecting aid to military purposes. The Kennedy Doctrine and the creation of the Alliance for Progress shifted the provision of aid towards a political goal.

Through education and community development, an increase in the capabilities of the individual went a long way towards easing the transformation of Indonesia from a traditional society to a modern, industrial one. But there were no discussions in the 1950s that talked about the kinds of pervasive and invasive action that would be conducted by the Guided Democracy state, nor did anyone talk about the role of the military in this regard. This idea of control was what was missing within the discourse of 1950s' experts. This was to be the main idea developed during the Guided Democracy by both its proponents and its intellectual opponents, whose shared 'chameleon-like' hypocrisy, to use a phrase coined by the journalist Mochtar Lubis for the second-generation economists, allowed both groups to cultivate a new relationship of power within a new notion of population control and development.

15 Conclusions

The Americanization of various aspects of the creation of an Indonesian elite was met with resistance in many forms. The inertia of the bureaucracy pushed for the continuation of 'Dutch' ways of doing business and, in fact, these continued as a result of the sheer limitation of the American impact on the large Indonesian bureaucracy. At the regional and local level there was little American presence; the changes occurred in the central institutions – the major universities and schools created through expert recommendations – and at national planning institutions. As a result, the Americanization was a flimsy affair, with changes occurring within small, almost separate institutions, whose effects on the vertical level were generally unknown but considered to be very limited. Yet, these developments paved the way for the Guided Democracy's institutional experiment. The next two chapters discuss the Guided Democracy state and the implementation of the various ideas that shaped it. These include the corporatist ideas that stemmed from the colonial and Japanese period, and were succinctly expressed in the 1945 Constitution, and the various developments that occurred during this period. This development of the idea of Indonesian society was important, for it cemented in place models of state–society relations that would continue throughout the second half of the twentieth century.

CHAPTER 4

Scientific Administration and the Question of Efficiency

Abstract

This chapter delves into the import and development of American scientific management for both business management and public administration education in post-independence Indonesia. Indonesian realization of its managerial and administrative limits came from the failure of the country's first industrialization plan, the Sumitro Plan, published in 1951. The creation of management and administration education was assisted by the consult of American management experts who visited the country in the mid-1950s with USAID money. This process of legitimizing the role of managers and the managerial class was criticized by people like Ernst Utrecht which saw the belief of scientific management as panacea to Indonesia's administrative woes as unwarranted. The dangers of scientific management and the managerial state ideology it engendered were rooted in its anti-liberal and anti-democratic stance. Scientific management became an ideology that legitimized the creation of a welfare state in which administrative efficiency would trump political rights. It placed administrative efficiency as a paramount goal of the state. America's managerial ideology was thus instrumental in supporting the rise of the New Order's corporatist, familial state, whose foundations were developed in the context of Sukarno's Guided Democracy state. The merging of the corporatist and developmental state was bridged through the ideology of scientific management.

Keywords

scientific management – managerial ideology – corporatist ideology – gotong royong

Like national planning, scientific administration was new in the sense that although colonial antecedents existed, the incorporation of American ideas provided new ways of dealing with state–society relations. And, like national planning, scientific management was part of the international aid structure provided by the US to newly independent states across the world. Scientific management provided the trappings of efficiency and efficacy that were

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alluring to the elites of these new post-colonial nations. In its incarnation within Indonesia, the ideas of efficiency would be implemented at many levels across the state and its economy.

The rise of administration science would result in the formation of a series of institutions within the universities and the creation of specialized learning institutions to provide education and research and to develop a specifically Indonesian type of public administration. Within the Indonesian economy there were two major drives in the 1950s. The first was the development of business administration science, which was to provide the managerial manpower needs of business offices. Public and business management were two sides of the same coin. However, despite this similarity, both developed separately in Indonesia within differing institutional environments. Public administration science developed in the corridors of social and political science faculties, while business administration was developed as part of the economics faculty. The development of scientific management deeply affected the decolonization process for two reasons. First, it entailed Americanization, which provided the means to leave behind Dutch, that is, liberal, ways of doing things. Second, and related to this, was the relationship between managerial science and the legitimacy of the Guided Democracy. It would not be too wrong to say that the idea of efficiency contributed to the end of parliamentary democracy in Indonesia.

1 Development of Management

Public administration developed from the confines of political science, while scientific management developed from that of engineering. Both were predicated on the idea of producing professional, white-collar experts for the government office and the factory floor. Administrative experts were seen as the implementers of efficiency, which was central to the most important goal of the twentieth-century state: development. In the words of public administration expert Donald C. Stone: 'The primary obstacle to development is administrative rather than economic […] Countries generally lack the administrative capability for implementing plans and programmes. Countries share in common most of the same administrative problems and obstacles.'[1] Although modern business management had developed rapidly before the Second World War, the science of what came to be known as public administration was still in

1 Donald C. Stone, 'Government Machinery Necessary for Development', quoted in William J. Siffin, 'Two Decades of Public Administration in Developing Countries', *Public Administration Review*, 36/1 (January/February 1976), 62.

its gestation period. It was one of the primary exports of American scientific achievement that was channelled through the Marshall Plan and the various American aid programmes. In 1955, Americans started exporting the nascent science around the world. It was a science still under development, as William J. Siffin explains: 'Defining the subject was less an issue than doing it, studying it and exporting it, whatever it might be.'[2] From 1955 to 1963, American aid to assist with public administration totalled $187 million and between 1952 and 1963, around six thousand people from all over the world were sent to the US for training, courtesy of the ICA. The UN, the Ford Foundation, and the US government helped to establish some seventy public administration training institutions in various developing countries.[3]

In East Asia, the interest in promoting public administration was clear early on. The report of the Economic Survey Mission to Southeast Asia (the Griffin Mission) in 1950 had concluded that there was a need to support public administration in Indonesia. Formal recognition of this came with the Bell Mission to the Philippines.[4] US economic assistance to the region in the period 1948–1967 totalled $7.6 billion. Technical cooperation amounted to $522.2 million, or roughly 7.3 per cent of the total. Of that, only $33.7 million, or half a per cent, was spent on public administration. In Indonesia, that amounted to $6.1 million. The countries of Indonesia, Thailand, Korea, and the Philippines received 88 per cent of the total aid spent on public administration in East Asia.[5]

From 1952 to 1965, the ECA sent 502 Indonesian trainees to the US to study public administration. The ECA helped to establish a series of public administration organizations, including the Public Service Centre (Balai Pelatihan Administrasi) at Gadjah Mada University, the Local Government Training Academy (Akademi Pemerintahan Dalam Negeri), and the National Institute of Administration (Lembaga Administrasi Negara). In the period 1957–1965, USAID ran seven projects in public administration – four focused on training and three others on fiscal management, central-government administration, and local government.[6] The United States would help to create twelve public administration institutions in East Asia, ten of which were assisted through direct contracts with American universities.[7]

2 Siffin, 'Two Decades of Public Administration', 61.
3 Siffin, 'Two Decades of Public Administration', 66.
4 Frank M. Landers and Harry W. Marsh, *United States Technical Assistance in Public Administration in East Asia* (New York: The East Asia Society, 1968), 2.
5 Landers and Marsh, *United States Technical Assistance in Public Administration*, 4.
6 Landers and Marsh, *United States Technical Assistance in Public Administration*, 13.
7 Landers and Marsh, *United States Technical Assistance in Public Administration*, 4–6.

2 Problems of Efficiency

The push to implement scientific management was the result of the failure of a series of state-based industrialization efforts within the Economic Urgency Plan (Rentjana Urgensi Perekonomian) and the Benteng Programme. The plan started in 1951. The Urgency or Sumitro Plan outlined the need to improve and expand the research and training institutes of the Department of Industries (Departmen Perindustrian); to extend loans and credit to cottage and small-scale industries; to establish, through direct government sponsorship, central production and processing units (*induk perusahaan*) in industrial centres; and to establish government-sponsored, large-scale industrial plants in sectors of vital importance. In 1954, under orders from the National Planning Bureau (BPN) and the Department of Industry of the Ministry of Economic Affairs (Departemen Perindustrian Kementerian Urusan Perekonomian), Sumitro Djojohadikusumo appointed the LPEM, the research arm of the Faculty of Economics, Universitas Indonesia, to conduct research into the industrialization efforts in the country. The findings emphasized the need to build up both the public and the business administration in the country, if a state-based industrialization programme was to be developed.[8]

The Sumitro Plan made little progress after its inception in 1951. Projects that were supposed to have been ready by the end of 1952 were, for the greater part, still not completed by the middle of 1954. This was due to poor organization as a result of incompetent management and a lack of experience, a shortage of expert and experienced labour, and unattractive wages for technicians and management. From the government side, bureaucracy hindered instead of helped as a result of various administrative and financial regulations. There was a lack of coordination between the government departments and, at a lower level, between the departments and the project managers. This illustrated the sad state of the public administration. Lastly, there was a general lack of technical experts in the government.[9]

The Induk Perusahaan programme met with similar problems. The *induk* were local associations created to improve the quality of output and the production techniques of small industries; to standardize production; to introduce efficient forms of organization; to instil cooperation; and to organize joint and cooperative sales of finished products. The crafts that the *induk* were formed around included woodwork, ceramics, textiles, ironwork, and leather goods,

8 Djojohadikuumo (ed.), *The Government's Program on Industries*, 3.

9 Djojohadikusumo (ed.), *The Government's Program on Industries*, 9–10.

with production occurring in various places in Java and Madura. The problems that plagued the production of these crafts pointed to a lack of managerial capabilities. However, the Department of Industries' programme focused exclusively on quality improvement and techniques of production. As a result, the *induk* still had difficulty in finding markets, getting the best possible price for their products, and securing raw materials. Related to this was the lack of an organized distribution apparatus and rational business organization due to inadequate knowledge of the most elementary principles of business administration.[10]

There was a wider problem concerning public administration. As Sumitro explained:

> Until recently, the internal conditions of administration at the department were more or less chaotic. Even documentation and filing were not well taken care of. Preliminary reports and surveys frequently went missing. Basic reports were scattered all through sections and subsections. There was no concentration of master files. There was a lack of an adequate number of trained administrative personnel to disseminate and to follow up on reports coming in from regional branches. Control by the Department of Industries and its extended services of *induks* have been inefficiently executed. A good deal of overlapping and cross wiring could be observed in the course of our research. One of the fundamental reasons was probably the frequent transfer of people who were in charge of the supervision and control of *induks*. There was also a lack of delineation of responsibilities. Sometimes there was confusion concerning the agency responsible for the implementation of the *induks*. Was it the central Department of Industries or was it the regional branch (inspector) of the Department of Industries?'[11]

The lack of entrepreneurial skill amongst the indigenous population was well known, due to them being, as Boeke put it, on the non-productive side of the colonial dual economy.[12] Sumitro's efforts to increase entrepreneurial capabilities by implementing government policies such as the Benteng Programme were seen to be a failure. The government found that 90 per cent of

10 Djojohadikusumo (ed.), *The Government's Program on Industries,* 15–16.

11 Djojohadikusumo (ed.), *The Government's Program on Industries*, 16–19.

12 J.H. Boeke, *Economics and Economic Policy of Dual Societies. As Exemplified by Indonesia* (Haarlem: Tjeenk Willink & Zoon, 1953), 36–51.

the Indonesians receiving help lacked business experience and their businesses often became fronts for Chinese–Indonesian businessmen.[13]

The failure of the Benteng Programme was a major setback to the idea that the Indonesian government could instantly develop an indigenous, entrepreneurial class through the application of government policies. Sumitro reiterated:

> Lack of equipment was not the most serious bottleneck. Equally serious, if not more so, was the lack of skills in general, and the critical conditions of public administration in particular [...] Immediate improvement of our public administration is a precondition for satisfactory implementation of future economic and financial policies. We refer not only to the government but also to government controlled or government sponsored enterprises, banks, credit agencies, etc.[14]

It pointed to the need for Indonesia to create not only a class of entrepreneurs but a whole range of administrative capabilities and administrative scaffolding for growth. This was why the introduction of the concept of business administration seemed to be the perfect answer to the lack of Indonesian entrepreneurial spirit:

> We have experienced to our bitter disappointment, however, that capital equipment purchased resulted in actual capital loss just because no account was taken of the organizational preparation and skills required to turn capital expenditures into really productive results. I would consider for the next five years the problems of human investment to be equally, if not more important than capital investments.[15]

3 From Dutch to American Concepts of Management

The government's initial effort to grapple with administrative management was through the Committee to Investigate Ministerial Organizations (Panitya

13 For more on the Benteng Programme, consult Thomas Lindblad, *Bridges to New Business. The Economic Decolonization of Indonesia* (Leiden: KITLV Press, 2008), 125–47.

14 Quoted in Douglas Paauw, *Financing Development. The Indonesian Case* (Glencoe: The Free Press, 1959), 75.

15 Sumitro Djojohadikusumo, 'Budget and Its Implications', in *Ekonomi dan Keuangan Indonesia*, Vol. VI, January (1953), 10.

Negara untuk Menjelidiki Organisasi Kementerian-kementerian, or Panok), set up in 1952. The committee was tasked with halting the expansion of organizations and civil servants and creating uniform ministerial structures. Headed by legal specialist Abdul Karim Pringgodigdo, the report was published in 1954.[16] The committee found formal legal and organizational differences: there was a highly differentiated organizational structure, with overlapping and redundant functions.[17] They proposed reordering and regrouping the current structure into several ministerial sub-organizations. There was hostility to the changes. A division that was 'demoted' to a section felt slighted. The integration of redundant offices made many people anxious about the security of their positions. The transfer of an office, section, or division from one ministry to another was met with hostility, as that meant a loss of workers and prestige. There were other problems, too. One critic from the LAN wrote:

> Perhaps it was the result of the inaccurate calculation of the committee, perhaps it could also be the result of stress among the implementers, especially the legal specialists [...] Within Panok there were five jurists, one legal expert, and one candidate jurist, and as a result the plan was created in a 'rigid' fashion with no escape clauses.[18]

He blamed the problems of Panok on the lack of public administration specialists. The failure of the so-called 'legal specialist' from the perspective of this public administration specialist pointed to the need for a change of mindset regarding organization.

There was an almost fanatical need to pry Indonesian practices away from Dutch practices. Sumitro Djojohadisukumo, in an inaugural lecture at the School for Business and Public Management (Perguruan Tinggi Ketataniagaan dan Ketatapradjaan) on 14 January 1957, said: 'I should stress that the term "administration" must not be confused with the term "administrasi" which is

16 Bintoro Tjokroamidjojo, 'Perkembangan Ilmu Administrasi Negara di Indonesia', in M. Makagiansar and Widjojo Nitisastro, *Research di Indonesia, 1945–1965*, Vol. IV: *Bidang Sosial, Ekonomi dan Kebudajaan* (Jakarta: Departemen Urusan Research Nasional, 1965), 22–3.

17 Mohammad Sidik Moeljono, 'Rantjangan Panok', in *Pantjawarsa LAN* (Jakarta: Lembaga Administrasi Negara, 1963), 86–7.

18 Moeljono, 'Rantjangan Panok', 90–1. 'Mungkin a.l. karena perhitungan2 Panok kurang sempurna, mungkin djuga karena Panok terdiri dari orang-orang praktek dengan titik berat ahli hukum [...] Dalam Panok terdapat 5 juris, 1 ahli hukum, 1 tjalon juris, maka rantjangan Panok tersusun setjara "rigid" (strak, kaku) tanpa escape clausules.'

usually used in Indonesia as an extension of the Dutch usage of the word.'[19] This disinterest in the colonial heritage was supported by a compelling argument: the bureaucratic tradition of the colonial state was too complicated to be able to be implemented effectively. In Sumitro's words:

> We have taken over from the colonial government a bureaucratic body that is in itself very difficult to understand. The bureaucracy used difficult and complicated working methods. This difficult bureaucratic body was, during the colonial period, run by people who were acclimatized to working within such structures. At present, the same bureaucratic system is being filled with new employees whose technical capabilities and experience are not in line with the needs of the system. The procedures used in the colonial bureaucratic system (which are still being used today) are, according to the experience of the writer, very hard to understand and control. Often people working within the environment of these bureaucracies have a hard time understanding the regulations. As a result, decisions are often based on whims (or often people decide not to make any decision at all).[20]

Such a legal approach was considered anathema to economic development and represented what Sumitro called the regulation economy, in which regulations grew haphazardly and in contradictory ways, thus reducing economic efficiency.[21] During the colonial period, a legal education was often the only

19 Sumitro Djojohadikusumo, *Management dan Mismanagement dalam Perusahaan dan Masjarakat* (Jakarta: Pembangunan, 1957), 3. 'Hendaklah saja tekankan, bahwa kata "administration" djangan ditjampur-adukkan dengan "administrasi" dalam arti jang lazim masih dipakai di Indonesia sebagai kelangsungan rangka pengertian bahasa Belanda.'

20 Sumitro Djojohadikusumo, *Bunga Rampai Ekonomi* (Jakarta: Indira, 1951), 266. 'Kita telah mengambil over dari pemerintahan kolonial, suatu badan birokrasi jang pada dirinja sudah sangat sukar difahami. Birokrasi tersebut mempergunakan tjara bekerdja jang sulit dan gecompliceerd. Badan birokrasi jang serba sulit itu, dizaman colonial didjalankan oleh tenaga2 jang sudah biasa bekerdja dalam susunan demikian. Dalam keadaan sekarang, system birokrasi tersebut diisi oleh tenaga2 baru jang baik mengenai pengalaman maupun ketjakapan technis, tidak menerima didikan jang sepadan. Procedure jang dipakai dalam susunan birokrasi bekas kolonial (jang dilandjutkan hingga sekarang), memang menurut pengalaman pengarang sendiri, adalah sangat sukar dimengerti dan dikendalikan. Seringkali orang2 jang harus kerdja dalam lingkungan badan birokrasi ini, tidak mengerti sendiri peraturan2 jang berlaku. Akibatnja ialah, tindakan2 jang diambil mempunjai sifat jang tidak karuan (ataupun sama sekali tiada diambil tindakan dan/atau keputusan).'

21 Djojohadikusumo, *Management dan Mismanagement*, 5.

training given to candidate administrators at schools such as the MOSVIA/OSVIA, the Law School (Rechtshoogeschool) and the Public Administration College (Bestuursacademie). The feeling of ambivalence towards the Dutch influence grew as the transgenerational shift occurred. The older generation clung to Dutch methods and the policymakers in government continued to send civil servants to study in the Netherlands. The shift was pushed through by the newly educated and the receipt of American aid assistance. It can be argued that the shift from the 'legal' to the 'practical' approach involved a shift from Dutch to American ideas.[22]

After the war, the Dutch development of public administration started to have an impact in Indonesia, as Gerrit van Poelje's 1942 book *Bestuurskunde* (Public administration) was translated in 1953, the same year as the publication of A. M. Donner's *Nederlandsch bestuursrecht* (Dutch administrative law). The BPN published 'Administrative Requirements for Social and Economic Development' in August 1954.[23] Ernst Utrecht's *Pengantar Hukum Administrasi Negara* (Introduction to public administration law) was published in 1955, a year after the Panok committee had conducted their study and published their plans. According to the communist economist Carmel Budiardjo,

> The experts in England and the United States in general say that political science is about the study of power in society. Power is analysed on the basis of its properties, principles, development, framework, and consequences. In comparison, experts from countries under German influence maintain that political science studies the state as a legal phenomenon, in terms of juridical-constitutional interpretation and administrative law.[24]

The Anglo-Saxon approach was to see the administration of the state as similar to the administration of the company. The main ideas of business administration, such as 'organization' and 'management', were imported and geared

22 There was a growing interest in economics and the other social sciences that had begun to rival law as a potential subject of study, for instance. Glassburner, 'High-Level Manpower for Economic Development', 180.

23 Bintoro Tjokroamidjojo, 'Perkembangan Ilmu Administrasi Negara di Indonesia', 27–8.

24 Ernst Utrecht, 'Beberapa Tjatatan tentang "Public Administration" berhubungan dengan Pidato-pidato Prajudi dan Tjia Kok Tjiang', *Padjadjaran*, 1/2 (November 1958), 52. 'Para sardjana di Inggris dan Amerika Serikat umumnja mengatakan bahwa ilmu politik mempeladjari soal kekuasaan dalam masjarakat. Kekuasaan ini diperlihatkan sifatnja, asasnja, perkembangannja, rangka dan akibatnja. Sebaliknja ahli-ahli dari Negara jang terpengaruh oleh Djerman mempertahankan bahwa ilmu politik terutama mempeladjari "negara" sebagai gedjala hukum, tafsiran juridis UUD dan hukum administratief.'

towards the practical and the pragmatic. The resultant system was supposed to be efficient and flexible, and geared towards problem-solving rather than merely the implementation of regulations and the law. Ernst Utrecht warned that such alacrity in accepting American ideas was dangerous and that 'there is nothing wrong with us directing our interest to the problem-solving system of progressive countries like the People's Republic of China'.[25] One important development in this shift was the American-funded visit to Indonesia of two Cornell professors in the early 1950s.

4 Lichtfeld and Rankin's Visit

In 1954, the Indonesian government invited Dr Edward H. Lichtfeld and Dr Alan C. Rankin, then respectively dean and assistant professor of Cornell's School of Business and Public Administration, to conduct a three-month survey of Indonesia's administrative problems. The two men met with important Indonesian leaders, including Vice President Mohammad Hatta; the head of the National Planning Bureau, Ir. Djuanda Kartawidjaja;[26] and prominent intellectuals such as Dr Muhammad Yamin, Dr Sumitro Djojohadikusumo, and Dr Raden Supomo, president of the University of Indonesia. Lichtfeld and Rankin interviewed various Indonesians in top-, middle- and low-level positions in government.

The report they published pointed to a grave lack of knowledge of the basic concepts of public administration everywhere they went: government offices, hospitals, schools, and so forth. 'Generally speaking, we would say that the field of administrative science is largely unknown in contemporary Indonesia', Lichtfeld and Rankin concluded.[27] They suggested the creation of university-based, Indonesian administrative courses, as well as the establishment of libraries and the training of librarians. They encouraged the development of relevant literature in administration science, including the acquisition of foreign materials, the translation of standard materials, and the development of Indonesian-based literature. Dwight Waldo's *The Study of Public Administration* was published in Indonesian in 1955.[28] There were only a couple of

25 Utrecht, 'Beberapa Tjatatan tentang "Public Administration"', 72.

26 'Ir.' is short for *ingenieur* (Dutch) or *insinyur* (Indonesian); it is the title used to refer to someone holding an engineer's degree in the Netherlands and Indonesia, among others.

27 Edward H. Lichtfeld and Alan C. Rankin, *Training for Administration in Indonesia* (Ithaca: Cornell University, 1954), 11.

28 It was translated by Slamet W. Atmosoedarmo and published in 1955 as *Pengantar Studi Public Administration*. The term 'public administration' was left in its English original, signalling the novelty of the entire discourse for the Indonesian intellectual public.

hundred books available for the entire university system in Indonesia, many of which were imported and only relevant to Indonesia tangentially. Many universities did not have a library. The available books on Indonesia were confined mostly to those written in the Law Department and a few on the economy, with practically no supporting literature on political science and psychology.[29]

The next step was to develop university faculties in administrative science. The temporary importation of foreign teachers and the active training for a permanent, Indonesian faculty would be required. They suggested a programme of graduate work involving three years of study in residence and a fourth year in the field leading to a PhD. They calculated that if only one person were to be trained each year for each of the ministries, provinces, regencies, and very large cities, then over two hundred graduates a year would be needed. Thus a four-year undergraduate training programme for one thousand students would be needed. In fact, it would need to be larger, considering the rate of attrition, which they calculated conservatively to be around 25 per cent.[30]

5 Effect and Criticism of the Public Administration

A committee was formed to follow up on the report. It was led by Vice President Mohammad Hatta, with Djuanda Kartawidjaja of the BPN, M. Hutasoit from the Ministry of Culture and Education, and Sumarman as members. The committee agreed on the development of a specifically Indonesian programme that would unite both public and business administration within a single educational centre. In 1956, the ICA created a public administration division in Jakarta, appointing Harry W. Marsh and John A. Ulinski as officers. The ICA programme focused on importing books on administration and sending Indonesians to study scientific administration abroad.[31] The interest in public administration resulted in the swift expansion of state-sponsored institutional development pertaining to education and research, including, for instance, the creation of the Domestic Government Academy (Akademi Pemerintahan Dalam Negeri, or APDN) by the Ministry of the Interior in March 1956. Pupils at the APDN were taught the latest findings in public administration, to the detriment of administrative law. American public administration specialists

Dwight Waldo, *The Administrative State. A Study of the Political Theory of American Public Administration* (New York: Ronald Press Co., 1948).

29 Lichtfeld and Rankin, *Training for Administration in Indonesia*, 13–14.

30 Lichtfeld and Rankin, *Training for Administration in Indonesia*, 19–20.

31 Lichtfeld and Rankin, *Training for Administration in Indonesia*, 19–20.

Garth C. Jones and Henry W. Bush taught at the school.[32] Indonesia thus had cutting-edge specialists, books, and knowledge on this matter.

On 20 September 1956, Prajudi Atmosudirdjo gave the inaugural lecture on public administration at the Faculty of Administration at the private University Krisnadwipajana in Jakarta. In December of the same year, Tjia Kok Tjiang also opened a Faculty of Public Administration at the Universitas Indonesia in Makassar. Ernst Utrecht's criticism of these lectures accused both men of being dilettantes and intellectually dishonest. On Prajudi's lecture, he said: 'I've never encountered from the mouth of an Indonesian intellectual such a series of nonsense and lies, as has been spoken (in said lecture).'[33] Utrecht's main criticism was of the danger of overestimating the abilities of public administration and the consequent loss of interest in understanding the importance of administrative law (*hukum tata-negara*).

Public administration and scientific management had become modern mantras that promised the arrival of efficiency and order as if by magic. Utrecht called them *mode-woorden* and even *toverwoorden*, magical words.[34] 'Has the result of public administration matched the enormous interest we have in it?', he asked, answering in the negative.[35] A USAID report said in 1964: 'One of the current fetishes in most developing countries is the field of "management". Everyone seems to look on it as a panacea to all problems.'[36] American support for its expansion also meant that it not only conformed to the intellectual fashion of the day, but that authorities saw it as an opportunity to obtain the funds and aid that the US had made available.

American books were seldom contextualized for the Indonesian situation.[37] The case studies compiled and used as the foundation for the contextualized Indonesian science of public and private management lacked a deep understanding of the 'ecology' of the power relationships and institutions that were needed.[38] This lack of development in Indonesian political science made it

32 Tjokroamidjojo, 'Perkembangan Ilmu Administrasi Negara di Indonesia', 33–4.

33 Utrecht, 'Beberapa Tjatatan tentang "Public Administration"', 47. 'Belum pernah saja mendengar dari mulut seorang tjendikiawan bangsa Indonesia suatu rentetan omong-kosong dan bohong, seperti tertera dalam kutipan diatas.'

34 Utrecht, 'Beberapa Tjatatan tentang "Public Administration"', 69–70.

35 Utrecht, 'Beberapa Tjatatan tentang "Public Administration"', 68.

36 USAID, *Human Resource Development. Problems, Policies, Programs* (Jakarta: USAID, 1964), 11.

37 Often, the books were rehashed versions of American books with little effort to apply the knowledge to an Indonesian context or situation.

38 J. Rossall, Dale McKeen and Leon A. Mears, *Indonesian Cases in Business Administration* (Jakarta: LPEM, 1961); see also Everett Hawkins, *Cases in Business Administration* (Yogyakarta: Fakultas Ekonomi-UGM, 1964). The analysis of the cases was politically

difficult to fully analyse the 'ecological' context of the manager. The problem was twofold. First, if such legal changes in the state system gave greater authority to managers, they required the redistribution of the power of the political elites in favour of their 'expert'-based elite, and this did not happen. Second, 'scientific management' was a 'magic word' for the political elite that was simultaneously supported by US aid, and this effectively blocked the need to deal with the 'real' problem, which was a political one.

6 The Development of Business Management

Business administration grew rapidly in the 1950s and exhibited the same shift from the Dutch/Continental style to an American/Anglo-Saxon one. Barli Halim divided the period into three: 1945–1957 as a Continental period, 1958–1959 as an Anglo-Saxon one, and 1960–1965 as a period of business management science based on Indonesian socialism.[39] Although he saw the Americanization as a brief and almost insignificant one-year period of development, it would be foolish to underestimate the strength of its message and ideology. Reading through works on business administration from the 1960s easily shows how replete ideas of scientific management were within the pages of supposedly socialist Indonesian tracts on management.

The 'Indonesianization' of business administration lagged behind public administration for several reasons. First, business administration was a lot less politically sensitive than public administration. Second, Dutch perspectives continued to pervade business administration as a result of the continued presence of the Dutch in Indonesian universities. Third, the continuing and large presence of Dutch-owned enterprises meant that there was a likelihood of Indonesian graduates entering into employment with these enterprises and thus the relevance of a Dutch perspective on business administration continued. All of this ended with the nationalization of Dutch-owned enterprises and the forced repatriation of Dutch citizens in 1957.

There were basically three main paths to obtaining a business management education in the country: university courses, corporate business courses, and state-sponsored courses. Business administration was not taught in higher-education institutions during the colonial period. The only faculty

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detached and focused on a purely economic approach, instead of understanding the wider societal and political implications of inefficiency.

39 Barli Halim, 'Ilmu Ekonomi Perusahaan', in M. Makagiansar and Widjojo Nitisastro (ed.), *Research di Indonesia,* 211.

that offered some economics teaching was the Law Faculty. Only fifteen Indonesian economists were available on independence; they had graduated from Dutch universities, mostly the Erasmus University in Rotterdam. After independence, three universities developed relatively strong economics faculties: the University of Indonesia, Gadjah Mada University, and the Protestant Nommensen University in Medan. A college of business management was set up in the early 1950s by Dutch commercial organizations and chambers of commerce, representing a private-sector response to the need for commercial managers.[40]

The Dutch approach to business economics focused on the study of the firm. This liberal approach contrasted with the study of the state, that is, its role in economic development, in the nascent science of developmental economics. The study of business management was divided into four sciences: cost theory (*ilmu biaya*), expenditure theory (*ilmu belandja*), external organization theory, and internal organization theory. The books were also in Dutch – for example, Jan C. Rietveld's *Inleidend leerboek der bedrijfseconomie* (Introductory Textbook of Business Economics), B. van der Meer's *Schets der bedrijfseconomie* (Sketch of business economics), and P. J. Potgieter's *Inleiding tot de bedrijfseconomie* (Introduction to business economics).[41]

In 1955, the FEUI discussed the possibility of linking up with an American university to support the improvement of the Indonesian teaching staff. Since the early 1950s, Sumitro had succeeded in recruiting Dutch teachers through his connections with the Rotterdam School of Economics.[42] In 1956, an agreement was signed with the University of California at Berkeley for education that was to be funded by the Ford Foundation. As well as sending young Indonesian lecturers to pursue post-graduate studies there, UC Berkeley would also send professors to teach at UI. In 1957, six UI staff members were sent to California while Berkeley sent three of their staff members to the institute. In 1955, Universitas Gadjah Mada had taken the subject of economics out of the Law, Economics and Social Science Faculty and created a standalone Economics Faculty, appointing lecturers Dr J. B. Stock; Prof Stanislaw Swianiewicz, a Polish economist; and Prof C. de Heer,[43] the former professor of business enterprise at Makassar.[44] In 1957, UGM signed an agreement with the

40 *Antara*, 29 November 1953.

41 Halim, 'Ilmu Ekonomi Perusahaan', 213–14.

42 Thee Kian Wie, 'Economics', in Koentjaraningrat (ed.), *The Social Sciences in Indonesia* (Jakarta: LIPI, 1979), 229.

43 Sardjito, *Laporan Tahunan Universitas Gadjah Mada 1955/1956*, 4.

44 A. N. J. de Hollander, *The Social Sciences in Indonesia* (Paris: UNESCO, 1951).

Ford Foundation and Wisconsin University, which led to the arrival of eight foreign lecturers, six of which came from Wisconsin University, including Everett Hawkins.[45]

The first change that they made was to replace the theories that were being taught in classes. The theories of the American Frederick Taylor and the French Henri Fayol now started to make their appearance. Fayol divided business administration into six parts: management, production, marketing, financing, accountancy, and personnel. American textbooks appeared in Indonesia for the first time: Prentice Hall, McGraw and Hill, and Macmillan, among others, provided more pragmatic books, designed for the uninitiated.[46] A shift was also observable in the method of teaching. The introduction of discussion groups and seminars was seen as a refreshing change from the lecture formats of the Dutch professors. The introduction of Indonesian case study methods was empirical and contextual. The business administration curriculum was an import from the USA.[47] The curriculum consisted of an introduction to Taylorist scientific management and a collection of case studies of companies and their problems. Leon A. Mears and Rossall J. Johnson were among the first to collect business case studies in Indonesia.[48]

7 The Caldwell and Timms Report

The rise of interest in business administration was portrayed succinctly in the Caldwell and Timms report. The report was published on 1 November 1958, having been commissioned by the BPN, and was the result of a survey of Indonesia by Linton K. Caldwell, professor of government and director of public service training, and Howard L. Timms, professor of business management, from Indiana University,[49] between the months of July and August of the same year. They interviewed around 300–350 leaders in public administration, business management, and education, half of them in Jakarta and the rest in other cities including Bogor, Bandung, Pekalongan, Semarang, Yogyakarta, Surabaya, Malang, Medan, and Palembang. Because of the short, two-month stay of the consultants and their general prior ignorance of Indonesia, the report

45 Sardjito, *Laporan Tahunan Universitas Gadjah Mada 1955/1956*, 13–14.

46 Halim, 'Ilmu Ekonomi Perusahaan', 216.

47 Caldwell and Timms, *Developing the Managerial Resources of Indonesia,* 40–1.

48 Johnson, McKeen and Mears, *Indonesian Cases in Business Administration*.

49 J. Panglaykim (1968). Managerial Development: An Indonesian Experience, *Australian Journal of Public Administration*, *27*(1), 66.

functioned more as an instrument through which Indonesians working in the field could express their general ideas.[50]

The report was important exactly because it recorded the sentiments of general Indonesian managers at the beginning of the Guided Democracy. There was a degree of apprehension amongst those interviewed that the gradual retirement of most Dutch-trained administrators would reduce the efficacy and efficiency of the administration.[51]

The report highlighted several issues that needed to be addressed to develop business administration. As an immediate goal, it called for the creation of a management development programme, modelled after the Advanced Management Programme of the Far East in the Philippines. This was an extension of the Advanced Management Program set up by the Harvard School of Business Management. It also called for the establishment of evening courses in business administration at business and government centres throughout Indonesia and within the Indonesian universities. As a long-term goal, it emphasized the need to speed upthe graduation of students by supporting the *doctorandus* programme in business administration at the University of Indonesia, which was at the time the most advanced programme in business administration in the country. Lastly, it called for the development of a first-rate institution of higher education, similar to the Harvard School of Business Management. This, it argued, should be located within the FEUI.[52]

As a follow-up to the Caldwell and Timms report, a committee headed by the economists Subroto, Mohammad Sadli, Panglaykim, and Arifin Abdulrachman was created. Many of the experts were from the FEUI. The focus on business management resulted in the formation of a series of managerial courses that were meant to upgrade the capabilities of business managers, especially those at state-owned companies. With the help of the Ford Foundation and the University of California, a Management Development (Pembangunan Ketatalaksanaan) course was set up.

In 1957, the law professor Djokosoetono took on the role of acting dean of the Economics Faculty of the Universitas Indonesia after Sumitro Djojohadikusumo joined the PRRI rebellion in Sumatra. As part of the shift to the Guided Democracy, the curriculum of the faculty was also revamped. Djokosoetono felt that the curriculum should be geared towards the specific needs of the

50 Linton K. Caldwell and Howard L. Timms, *Developing the Managerial Resources of Indonesia. A Report to the Biro Perantjang Negara* (Bloomington: Indiana University, 1958), 8. ANRI, Mohammad Bondan, inv. no. 699.

51 Caldwell and Timms, *Developing the Managerial Resources of Indonesia,* 9.

52 Caldwell and Timms, *Developing the Managerial Resources of Indonesia,* 48–50.

developing country. 'Luxury' and 'liberal' courses were eliminated, and the dabbling in 'abstract analyses' was discontinued.[53] The Dutch curriculum had included a large proportion of law education, including courses on private law, fiscal law, Islamic law, and commercial law at the undergraduate level. After the changes, many of the economics courses focused less on the different aspect of law.[54]

The shift towards an American curriculum, alongside the introduction of American-influenced sciences such as public and business administration, was significant and widespread. Before 1955, economics was taught within a single Social Science Faculty and was heavily based on the Dutch curriculum. All the books and articles used in the courses were Dutch in origin.[55] The overall result of the changes led to a more pragmatic focus, that is, a heavier emphasis on applied economics. The economics courses offered three fields of specialization: general economics, business economics, and accountancy. In 1964, governmental economics was introduced. These changes occurred throughout the university system.

Another important reason for the Americanization of the curriculum lay in a shift in language ability. Thee Kian Wie argued that since the mid 1950s, there had been an influx of students with little ability to command the Dutch language because their primary education had started after the Japanese invasion in 1942. This change in language proficiency necessitated the move towards English-based reading materials.[56]

In a report submitted by the labour division of USAID in February 1964, the root of the problem with implementing Indonesian management science was spelled out. The report outlined several issues:

> First, the approach has been substantially one of taking Western management concepts and methods and attempting to overlay them on a culture and economy not yet attuned to them. The result is that the trainees can, at the conclusion of their course, glibly repeat the management jargon, but the basic cultural barriers have not been broken through. Processes of thinking and acting have not fundamentally changed. Second, the courses tend to be academic and abstract; there is little emphasis on or use of the case methods or the problem-solving technique. As a result, there

53 Ali Wardhana, Pidato Dekan Fakultas Ekonomi Universitas Indonesia pada Peringatan Dwi-Dasawarsa dan Reuni Alumni Ke II, Jakarta, 1970 (Jakarta: FEUI, 1970).

54 Thee, 'Economics', 230–4.

55 Thee, 'Economics', 230–4.

56 Thee, 'Economics', 231–2.

> is no effective transition from principle to practice. Third, the teaching process consists almost entirely of 'lectures', which, in this case, usually consist of transferring the notes from the book of the lecturer to that of the student without necessarily passing through the minds of either.[57]

The report laid out two suggestions for the development of public administration. First, an approach geared towards the social mores of the Indonesians rather than an attempt to transplant Western management ideology was necessary. Second, the introduction of an in-depth programme, which would attend to the specific skills and practices of management and supervision and would not merely focus on the academic side of things.[58]

Garth N. Jones saw that the problem with Indonesian public administration was its decontextualized character: 'Unfortunately, there is a dearth of scholarly studies concerning the social milieu of Indonesia. Public administrators even if they understand the importance of the relationship of social science to their work, must operate almost in a void of knowledge about their social setting.'[59] As a result, in the early 1960s, he advocated that any technical assistance programme must be focused on a scholarly study of the social milieu, governmental structures, and processes, meaning that a considerable effort would have to be made to obtain solid and basic information on the Indonesian government and society.[60] He summed this up by saying, 'Fundamentally, the management process must be brought down out of the sky and back to earth.'[61] It was stressed that the pouring of capital investment into an economy or a society not yet ready to expand its productive capacity represented a waste of money.

8 Production of a Managerial Class

The expansion of schooling in public and business management was proof of the Indonesian government's commitment to expanding the nation's managerial class. The less than satisfying result of the PUTABA scheme may have been one of the reasons, but it was always expected that the Indonesian state and

57 USAID, *Human Resource Development,* 8.

58 USAID, *Human Resource Development*, 11.

59 Garth N. Jones, 'Some Critical Areas concerning Technical Assistance in Public Administration in Indonesia', *Bulletin Lembaga Administrasi Negara*, 1 (1961), 10–11.

60 Jones, 'Some Critical Areas', 13.

61 USAID, *Human Resource Development*, 11.

society would be managed by Indonesians. For instance, the Eight-Year Development Plan published in the early 1960s stated that each state university was to be equipped with a Faculty of Public Administration.[62]

There was a strong connection between civilian and military managers. For instance, the *Manager* magazine produced special editions in which military management was discussed. Generals including Nasution, Ibrahim Adjie, and Ahmad Yani graced these editions with their opinions, including an article by Nasution on the Paran and one by Ibrahim Adjie on the Civic Action programme.[63] Aside from the military elites, most other contributors came from the civilian expert elite, including First Minister Djuanda. A coterie of military and civilian experts, most with ties to or sympathy for the PSI, represented the core managerial class of the country. This was the same group of people that would eventually come to power under the banner of the New Order.

The significant feelings of inadequacy that are apparent in the grumblings about the 'cultural' weaknesses of the Indonesian managers and the almost triumphant exclamation of the managerial revolution by those same managers offers an interesting juxtaposition. In magazines such as *Fortuna*, *Manager*, and *Perusahaan Negara*, references to managers as the future leaders of the country abound. The confinement of managerial production to the social sciences was a unique and modern perspective. 'It is now prevalent in the United States to leave behind the old tradition that assumes potential managers require them to be educated in engineering. The large industries in today's America, with their various kinds of societal activities, are a modern social group'. What was desirable in a person was their flexibility. Many American companies in fact claimed that humanities and social science students were preferred over more technical types.[64]

On the other side of management, the expansion of the *doctorandus* degree in business management continued apace and, in fact, the intake of business management students climbed rapidly after the takeover of Dutch-owned businesses in Indonesia. The table below shows the number of FEUI graduates during the period 1952–1963 and illustrates that business management trailed behind general economics in terms of numbers of graduates. Yet, even more significant was the expansion of the student intake in business management

62 *Rantjangan Dasar UU Pembangunan Nasional-Semesta Berentjana Delapan Tahun: 1961–1969. Bidang Mental/Ruhani dan Penelitian*, Buku Ke III, Djilik Ke VI: *Pola Pendjelasan Bidang Pendidikan Tenaga Pembangunan* (Jakarta: Dewan Perentjanaan Negara, 1960), 1751.

63 Nasution, 'Kata Sambutan', 4–9; Adjie, 'TNI dan "Civic Mission"', 10–15.

64 'Apakah Anda Laksanawan Type Baru?', *Fortuna*, 1/11 (February 1961), 744–8.

TABLE 11 Graduates in the three departments of the Faculty of Economics at the University of Indonesia

	Economics	Business management	Accountancy
1952–1953	0	2	2
1953–1954	0	1	1
1954–1955	4	1	5
1955–1956	14	9	23
1956–1967	17	9	30
1957–1958	11	9	21
1958–1959	45	22	69
1959–1960	146	37	203
1960–1961	76	34	138
1961–1962	58	36	103
1962–1963	58	50	128
Total	426	210	723

SOURCE: TAKEN FROM J. PANGLAYKIM, 'SOME NOTES ON THE DEVELOPMENT OF ECONOMIC AND BUSINESS ADMINISTRATION EDUCATION IN INDONESIA', *DE ECONOMIST*, 113/4 (1965), 281

science. The most significant rises occurred in 1959–1960, when 146 economics majors graduated, and in 1960–1961, when thirty-seven business management majors graduated.

The FEUI produced its first business administration graduates as early as 1952. Yet, until 1957, enrolment in the subject remained fairly limited. Enrolment numbers increased from 1958. However, these figures were dwarfed by the expansion of the Economics Department, which enrolled more than one hundred students in 1959 in anticipation of the Guided Economy. By 1963, a total of 210 business administrators had been educated by FEUI, about half the number of the 429 graduates in economics. Yet, if we look at enrolment for 1963–1964, there were around 101 first-year and 280 second-year undergraduate students in business administration at FEUI, in comparison to just 26 first-year and 104 second-year students in general economics. The unmistakable trend was of an increasing interest in business administration in comparison to general economics as the 1960s wore on.[65]

65 Panglaykim, 'Development of Economic and Business Administration Education', 277–91.

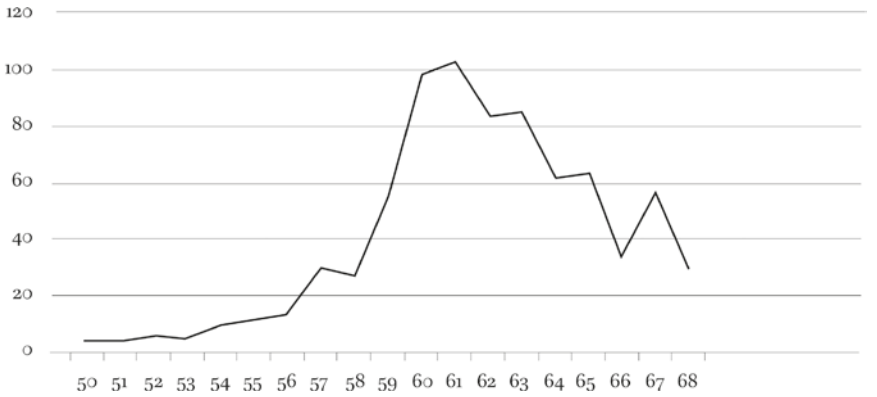

FIGURE 5 Production of books and articles on managerial science between 1950 and 1968, with a peak in 1961
SOURCE: TAKEN FROM THE LIANG GIE, *BIBLIOGRAFI ILMU ADMINISTRASI* PENERBIT KARYA: YOGYAKARTA, 1970, 184–5

The interest in public and business management thus peaked during the early part of the Guided Democracy, between the years 1957 and 1962. This expansion could be seen in both the rising interest in business management courses and the increasing production of books, especially on public administration. In a survey of the production of books on various subjects labelled as administration, The Liang Gie found a peak in 1960–1961,[66] at the time when Law 19/1960 was passed, which effectively transferred the coordination of the entire economy, including the private economy, into the hands of the government. The number of articles produced reached a peak in 1960 with eighty-six articles and in 1961 with eighty-nine articles, as the chart below indicates. Of the 289 published books on administration, ninety-one, or a third of the total, were translations.[67] After this year, the production of both articles and books fell. This was then followed by the closure of the journal *Madjalah Manager* in 1965.

The Executive Development Programme (Program Pembangunan Ketatalaksanaan), which was supported by the Ford Foundation, was launched at FEUI in 1960 and taught a curriculum that was in line with the one at the LAN, one mostly associated with the problems of authority, decision-making, and leadership.[68] At Universitas Gadjah Mada, the success of the

66 The Liang Gie, *Bibliografi Ilmu Administrasi* (Yogyakarta: Penerbit Karya, 1970), 184–5.
67 The, *Bibliografi Ilmu Administrasi*, 183 and 209–10.
68 Aminin Honggodjojo, 'Curricula Implications in Management Education for Present and Future Needs', in Yip Yat Hoong (ed.), *Role of Universities in Management Education*

Administration Development Center (Balai Pembinaan Administrasi, BPA), peaked with its involvement in the Congress of the Science of Public and Business Administration held in 1961 in collaboration with the LAN.[69] The LAN produced over twenty-five publications between 1958 and 1963.[70] A series of managerial courses were introduced by a variety of organizations. The Ministry of Industry, for instance, set up a Academy of Industrial Management (Akademi Pemimpin Perusahaan) in 1958, copying the principles and curriculum of the Massachusetts Institute of Technology's School of Industrial Technology.[71]

Within the field of agricultural estates, the nationalization of Dutch-owned companies resulted in the Indonesianization of 2,300 managerial positions across four hundred estates.[72] The creation of professional, that is, university-trained, managers could not keep up with this expansion. Atmosudirdjo reckoned that if Universitas Gadjah Mada produced approximately one hundred graduates, Padjadjaran thirty graduates, LAN fifty graduates and Hassanudin twenty graduates, this would only total two hundred managers, which was not enough.[73] In its eight-year history, by 1959 the FEUI had produced just sixty economists: fifty-five business administrators and five accountants.[74] The limited ability of the education system to produce professional managers meant that a large percentage of managerial personnel came from other parts of society. Panglaykim pared these down to six categories, including civil servants, military personnel, and university graduates.[75] The majority of managers had studied at general schools during the colonial period. Some were former teachers, civil servants, or army personnel.[76]

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for National Development in Southeast Asia (Singapore: Regional Institute of Higher Education and Development, 1972), 213–25.

69 The, *Bibliografi Ilmu Administrasi*, 188.

70 Imam Buchari, *Buku Peringatan Pantjawarsa Lembaga Administrasi Negara, 1958–1963* (Jakarta: Lembaga Administrasi Negara, 1963), 40–1.

71 *Program Akademi Pemimpin Perusahaan, 1958–1959* (Jakarta: Kementerian Perindustrian, n.a.), 3–15.

72 Everett D. Hawkins, 'Indonesia', in Walter Galenson (ed.), *Labor in Developing Economies* (Berkeley: University of California Press, 1962), 117.

73 Atmosudirdjo, 'Masalah Pendidikan Ilmu Administrasi', 34.

74 Mohammad Sadli, *The Structural and Operational Aspects of Public* (*Especially Industrial*) *Enterprises in Indonesia* (Jakarta: n.n., 1959), 249.

75 Panglaykim, *State Trading Corporations in Indonesia. First Year's Performance, 1961* (Jakarta: Jajasan Badan Penerbit FEUI, 1965), 7–8.

76 Achmad Sanusi, *Manager: Insentif dan Motif Putusannja. Satu Perbandingan Umum pada Perusahaan2 di Uni Sovjet, Amerika dan Indonesia* (Bandung: Universitas Bandung, 1964), 62–3.

Who was the Indonesian manager? Achmad Sanusi put it this way:

> Sometimes he is depicted as an ideologist, a carrier of the people's wishes, and a father faithful to his children. He does not have a university education, but has had plenty of experience and knows deeply the bitter laws of life. At other times, he is shown as a young person, a student, who is trying and experimenting, behaving in a formalist fashion, still lacking skill in translating policy from theory and not clever enough to play the games according to the real rules. Sometimes, the manager takes on the image of a leader of society, who is constantly managing his relationship with government leaders and heads of departments, who cooperates with and for businessmen, lending them his name and service.[77]

Jamie Mackie's survey of agricultural estate companies in 1960–1961 showed the extent to which the rise of the new managerial elite had resulted in the formation of new regional power structures:

> Relatively powerless in central politics, the new managers appear to be an influential group in the *daerahs* (districts), particularly in those where there are close bonds of interest and affinity between them and the existing regional authorities, *pamongpradja* and Army officers. Thus, the divorce between political power and responsibility for production, which characterized the years 1950–57, has been remedied (in a uniquely Indonesian fashion) at the regional level.[78]

77 Sanusi, *Manager: Insentif dan Motif Putusannja*, 67. 'Kadang2 ia tergambarlah sebagai seorang karyawan ideologist, pengemban amanat penderitaan rakjat, dan sebagai bapak jang setia kepada anak2nja. Ia tak berpendidikan universiter, tapi telah tjukup banjak makan garam, dan tahu betul kenjataan hukum2 hidup jang pahit-getir sekalipun. Lain kali manager Indonesia tergambar sebagai tokoh muda, sardjana, jang sedang membuat eksperimen2, masih banjak formalism, belum handig lagi membuat satu policy dari satu teori, dan belum lagi pandai main "the games according to the real ground-rules". Kadang2 manager kita tergambar lagi sebagai symbol tokoh masjarakat, jang pernah dan terus memperhatikan banjak relasinja dengan pimpinan pemerintahan, djawatan2, jang bekerdja-sama dengan, atau untuk, pengusaha2 jang memindjam nama dan djasa2nja itu. Betapapun sifat2 itu jang lebih sesuai, manager di Indonesia pun dipandang umum sebagai satu golongan elite jang kedudukan ekonomisnja lebih tinggi, dan hidupnja jauh lebih mewah daripada rata2 penduduk biasa, bahkan djuga dapat mempengaruhi djalan pelaksanaan politik pemerintah atau djawatan2.'

78 J. A. C. Mackie, 'Indonesia's Government Estate's and Their Masters', *Pacific Affairs*, 34/4 (Winter 1961–1962), 339–40.

This 'federalization' of the regions under military rule resulted in a significant restructuring of the state. As Daniel Lev phrases it: 'Already identified with their provinces, army commands hyperactively and over-optimistically undertook to fulfil local demands for the economic development which civilian government had been unable to accomplish.'[79] The development of a military-cum-expert planning structure, within what was to become the Bappenas planning structure, provided the solution to the problem of decentralization.

9 Public Administration, the Welfare State and Guided Democracy

The pro-Sukarnoist legal specialist and PNI member Ernst Utrecht viewed the move to the Guided Democracy as a shift from the Continental *Rechtsstaat* to the Anglo-Saxon welfare state or *Wohlfahrtstaat*.[80] The German *Rechtsstaat* attempted to impose a legal order in which all government decisions could be regulated within the law; however, problems appeared when the state began to expand its function as part of the development of social services and as a purveyor of public goods.[81] 'This narrow view strait-jacketed the government's activity within legal boundaries. As a result, when government activity was expanded because of the acceptance of the *Wolhfahrtstaat*, a 'web of administrative prescriptions' (*net van administratieve voorschiften*) that was increasingly complicated and in contradiction with itself was created. This was because of the wish that nothing be left to its own devices and that positive legal supervision be maintained. As a result, there appeared a bureaucracy that preferred to obstruct instead of support the government's activity in promoting general welfare and individual interests!'[82] Quoting Yugoslavian legal specialist Eugen

79 Lev, *The Transition to Guided Democracy*, 63.

80 He hated the PSI and called it the party of champagne socialists (*salonsocialist*). See Eileen Utrecht, *Twee zijden van een waterscheiding. Herrineringen aan Indonesië voor en na de onafhankelijkheid* (Amsterdam: Sua, 1991), 87–90, 138 and 152–62.

81 For more on the liberal character of the *Rechtsstaat*, see Rachel S. Turner, *Neo-Liberal Ideology. History, Concepts and Policies* (Edinburgh University Press, Edinburgh, 2008), 27–31.

82 Utrecht, 'Beberapa Tjatatan tentang "Public Administration"', 62. 'Pendapat sempit ini hendak mengikat aktivitet pemerintah pada hukum. Akibatnja: ketika kemudian aktivitet pemerintah sangat diperluas karena diterimanja 'Wohlfahrtstaat', maka dilahirkan suatu 'net van administratieve voorschiften' luas jang sangat berbelit2 dan makin luas makin bertentangan (!), sebab keinginan supaja tiada sesuatupun jang dilepaskan dari pengawasan hukum positif tetap dipertahankan. Dengan demikian dilahirkan suatu birokrasi jang lebih menghalangi daripada memadjukan aktivitet pemerintah guna kepentingan umum maupun kepentingan individu sendiri!'.

Pusic, Utrecht wrote that 'administrative inefficiency, caused by legal guarantees, can finally reduce these guarantees to nil'.[83]

Sukarno, in a speech to the Indonesian Master of Law Association (Perhimpunan Sardjana Hukum Indonesia, Persahi) in 1961, said this of legal-mindedness: 'Wilhelm Liebknecht has said – in Dutch – "you can't make revolutions with lawyers".[84] What Liebknecht said was that most legal specialists, jurists, are very legalistic; they cling to the prevailing laws so strongly that if they were to be asked to join the revolution, which requires throwing away the current situation [...] these legalistic jurists, would find it very difficult to do so.'[85] Sukarno equated legalistic thinking with being almost contra-revolutionary. In 1958, Sukarno established the Institute for the Development of National Law (Lembaga Pembinaan Hukum Nasional, LPHN), whose goal was to change the colonial roots of Indonesian law.[86] In 1960, Sukarno gave ministerial status to the head of the Supreme Court (Kejaksaan Agung), thus suspending Indonesia's law-based state.[87]

During the inaugural address of the LAN, its head, Prajudi Atmosudirdjo, stated:

> The formation of this LAN by the government signals the wish to speed up the changes in the spirit (*djiwa*) of our civil servant, who is currently a laughing stock of society. This is the change from a civil servant who

83 Utrecht, 'Beberapa Tjatatan tentang "Public Administration"', 62.

84 'Met juristen kun je geen revolutie maken.'

85 Sukarno, *Sosialisme dalam Kepribadian Indonesia. Pidato Presiden Sukarno pada Pembukaan Kongress Persahi di Jogjakarta, 26 Nopember 1961* (Jakarta: Departemen Penerangan, 1961), 4. 'Wilhelm Liebknecht telah berkata – salinannja dalam bahasa Belanda – "Met juristen kun je geen revolutie maken." Jang dimaksudkan oleh Liebknecht ialah bahwa ahli hukum, juristen, kebanjakan – demikianlah maksud Liebknecht – sangat legalistis, sangat memegang kepada hukum-hukum jang "prevaleren", sangat memegang kepada hukum-hukum jang ada, sehingga djikalau diadjak ber-revolusi – revolusi jang berarti melemparkan hukum jang ada, "a revolution rejects yesterday" kata seorang pemimpin revolusi jang lain, "a revolution rejects yesterday" – sehingga djikalau jurist-jurist jang legalistis ini diadjak ber-revolusi, katanja, amat sulitlah hal jang demikian itu.'

86 Keputusan Presiden Republik Indonesia No. 107 tahun 1958 tentang Lembaga Pembinaan Hukum Nasional (LPHN), ANRI, Jakarta, Mohammad Yamin, inv. no. 360. The LPHN was composed of lawyers and other elements of society in order to create a legal system that was not merely based on a legal approach, but also able to accommodate other elements, at least this was the case stated by the minister of education and culture to the ministerial board in charge of creating the body. ANRI, Jakarta, Kabinet Perdana Menteri Republik Indonesia, inv. no. 1651.

87 A. M. Reksohadiprodjo, 'The Relations of Law and Economic Development. With Special Reference to Indonesia', MA thesis, Institute of Social Studies, The Hague, 1969, 33.

> 'merely follows the rules' to a new Indonesian civil servant, one who has an entrepreneurial spirit which embodies the spirit of the 'managers of the state' or 'public managers', is full of personal initiative, and has a dynamic mindset in their efforts to increase their productivity and the national capital productivity in order to achieve the highest level of welfare for the people and the state, in as little time as possible.[88]

Even more significantly, the change in the spirit of the civil service was part of the underlying spirit of the Guided Democracy and that of the New Order state itself:

> [T]he duty of this organization is to implement a government decision that is revolutionary in character. The decision of the government to create the LAN shows that the government is serious about creating a 'public administration' in Indonesia and represents an important caesura in the history of our government. With this decision, we leave behind the 'law-based state' doctrine that we have inherited from the Dutch, and, without forgetting the law, we are on our way to becoming an 'administrative state', which is the most modern governmental idea, whereby the state is seen to form a sort of corporation (*ondernemingsvorm*). In comparison, the law-based state saw the state as merely a juridical-formal body. In a law-based state the main purpose of the government is to keep 'peace and order', while in an administrative state, the government actively conducts efforts to increase the welfare of the people and the state. In other words, with this government decision, we decidedly move from a 'legal state' towards an 'administrative state on a legal basis'.[89]

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88 *Pantjawarsa Lembaga Administrasi Negara* (Jakarta: Lembaga Administrasi Negara, 1963), 10. 'Dengan mendirikannja Lembaga Administrasi Negara ini Pemerintah ingin mempertjepat proses perubahan djiwa pegawai2 negeri kita, jang pada masa ini masih selalu mendjadi edjekan masjarakat, jaitu perubahan dari pegawai negeri jang "hanja mendjalankan peraturan" sadja ke pegawai negeri Indonesia Baru, jang mempunjai entrepreneurship dan leadership, jang berdjiwa sebagai "managers of the state" atau "public managers" jang penuh inisiatif sendiri serta berdjiwa dinamis dan jang selalu berusaha untuk mempertinggi produktivitet kerdja, produktivitet mode nasional dan sebagainja, guna mentjapai kemakmuran Bangsa dan Negara jang se-tinggi2nja dalam waktu jang sesingkat2nja.'

89 *Pantjawarsa Lembaga Administrasi Negara*, 10. '[T]ugas Lembaga ini merupakan pelaksanaan dari suatu Keputusan Pemerintah jang bersifat revolusioner. Keputusan Pemerintah untuk mendirikan Lembaga Administrasi Negara jang berarti, bahwa Pemerintah setjara tegas hendak membangun "Public Administration" in Indonesia, adalah suatu titik-perubahan pokok didalam sedjarah kenegaraan kita. Dengan keputusan tersebut kita

There was thus a deep contradiction between the rise of the welfare state or, in Atmosudirdjo's words, the administrative state, and the traditional and 'liberal' forms of political democracy. In fact, the shift towards an administrative state was seen as leaving behind the *trias politica* and the separation of powers that had been the prime model of Western democracy since the French and American revolutions, and which had been reflected in the 1950 Indonesian 'liberal' constitution. The 'liberal' *trias politica* state was thus considered a night-watch state, which focused on the application of the law. In fact, Montesquieu's idea was based on the aim of denying the possibility of state tyranny and ensuring the liberty of the individual citizen. Thus, individual liberty was traded for the completion of revolution and development.

This constitutional reordering highlights several ideas related to the Guided Democracy state. The root of the failure of 1950s' development was pointed out, quite correctly, as being a problem of planning and coordination. Sukarno attributed this to the inherent chaos that liberalism had induced. The fact that seven governments had existed between 1950 and 1957 certainly strengthened this accusation. According to Sukarno, the only way to solve this problem was to complete the Indonesian revolution. There were several obstacles to be overcome, if this were to be accomplished. First, Indonesia needed to eliminate the dualism between the 'government' and the 'revolutionary leaders' that had coloured governance in the 1950s. Sukarno pointed out that, as a result of the compromise made in 1950 at the Round Table Conference and under the rule of the social democrats, '[o]ur earth became fertile for the growth of all types of conventional, conservative, reactionary, and contra-revolutionary and liberal ideas'.[90]

These 'contra-revolutionary reactionaries', that is, the social democrats, the PSI, and economists such as Sumitro Djojohadikusumo, had taken over

meninggalkan azas "Negara Hukum" jang kita peladjari dari Belanda, dan dengan tidak meninggalkan hukum itu kita sekarang sedang menudju kesuatu "Negara Administratif", jaitu pandangan kenegaraan jang paling modern, dalam mana negara itu dipandang sebagai salah satu bentuk pengusahaan (Ondernemingsvorm), sedang didalam rangka pandangan "Negara Hukum" kewadjiban pokok dari Pemerintah hanjalah memelihara "keamanan dan ketertiban", sedang didalam "Negara Administratif" Pemerintah ikut aktif menjelenggarakan usaha2 untuk memperbesar kemakmuran masjarakat dan Negara. Dengan perkataan lain, dengan keputusan Pemerintah itu kita lebih tegas lagi menudju dari "Legal State" ke "Administrative State on Legal Basis" [...].'

90 Sukarno, 'Manifesto Politik Republik Indonesia', in *Tudjuh Bahan Pokok Indoktrinasi* (Jakarta: Panitia Pembina Djiwa Revolusi, 1963), 19. 'Bumi mendjadi subur untuk bertumbuhnja segala matjam aliran konvensionil, konservatif reaksioner dan kontra-revolusioner serta liberalism.'

the country and divided the government from its leadership. In the words of Sukarno:

> The head of the revolution is separated from the head of government. The head of the government in fact weakens the head of the revolution. He becomes nothing more than a 'stamp machine'. He often clashes with the ideology of the head of government. He has been 'trias-politica-ized', and not only within the executive. He has become Togog.[91] This, according to supporters of the system, is said to be the highest of wisdom within democracy. Yes! Liberal democracy! Dutch democracy! The democracy of the Western states, whose democracy was born to the mother of middle-class capitalism (*burgerlijk kapitalisme*).[92]

This was an unconventional revolution and as a result, required unconventional means: 'It cannot be solved with means taken from the decrepit warehouse of liberalism. It cannot be solved with the means written in the textbooks of yore.'[93]

Sukarno was adamant that his revolution was 'modern' and, in this regard, he considered the changes brought about by the revolution to be both modern and anti-liberal. The cleansing of the contra-revolutionary was to happen through what was called retooling, a managerial strategy in which people were evaluated on the basis of their position in the revolution and replaced accordingly. Only those who were pro-revolutionary were allowed to participate. A whole slew of institutions would be created in order to achieve the goals of retooling.

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91 A character in a *wayang* shadow play, the son of Semar, who had failed to be born, that is, his power was denied to him.

92 Sukarno, *Djalannja Revolusi Kita* (*Djarek*), 38–9. 'Pimpinan revolusi dipisahkan daripada pimpinan pemerintahan. Pimpinan Revolusi malahan dilumpuhkan (diverlamd-kan) oleh pimpinan Pemerintahan. Ia kadang-kadang didjadikan sekedar "tukang stempel". Ia sering sekali tabrakan faham dengan pimpinan Pemerintahan. Ia di-'triaspolitica'-kan bukan sadja, tetapi dalam bagian eksekutif daripada triaspolitica itupun ia sekedar didjadikan sematjam togog. Ini, menurut pentolan-pentolan sistim itu, dinamakan "hoogstewijsheid" dalam alam demokrasi. Ja! Demokrasi liberalisme! Demokrasinja Belanda! Demokrasinja negara-negara Barat, jang an sich demokrasi disana itu adalah anak-kandung dan ibu kandung daripada burgerlijk kapitalisme.'

93 Sukarno, 'Penemuan Kembali Revolusi Kita', Pidato Presiden Republik Indonesia pada Hari Proklamasi 17 Agustus, 1959, 73. 'Ta' dapat ia diselesaikan dengan tjara-tjara jang keluar dari gudang-apeknja liberalisme. Ta dapat ia diselesaikan dengan tjara-tjara jang tertulis dalam text-booknja kaum sardjana dari zaman baheula'.

Second, the Indonesian revolutionary leadership needed to pool together the 'funds and forces of the people'. Sukarno understood that, as a result of modern technological changes, the nature of participation had changed profoundly: 'In this twentieth century, with its sophisticated communication technology, every revolution is a people's revolution, a mass revolution, not like those of the previous centuries, when the revolution was often limited to the upper classes, the revolution of the ruling few.'[94] Thus, the revolution in question had a historical inevitability to it and an almost scientific and natural character. It was a revolution that involved three-quarters of humanity. 'Look and observe! A state that does not mature in a revolutionary fashion will not only be crushed by its own people, it will be swept clean by the universal revolutionary typhoon that is the most significant phenomenon of the present age.'[95] The revolution was thus not only modern, but also in tune with global changes.

The importance of the participation of the masses was described succinctly as being part of the participative development that Guided Democracy promised. 'Universal development cannot succeed without mobilizing universal work. The revolution cannot work without the participation of the people in it.'[96] In order for the revolution to succeed, therefore, the relationship between the administrator and the masses had to change profoundly:

> I stressed this in my Political Manifesto speech about the summoning of the energy and passion of the people because many of the people within the state apparatuses – the people with noble qualities – do not understand the meaning of mass energy and mass passion, and in fact suffer from a phobia of the masses and the people. The spirit of these noblemen and noble women must be cleansed and destroyed, so that the revolution

94 Sukarno, 'Penemuan Kembali Revolusi Kita', Pidato Presiden Republik Indonesia, 72. 'Dalam abad ke-xx ini, dengan ia punja teknik-perhubungan jang tinggi, tiap revolusi adalah revolusi Rakjat, revolusi Massa, bukan sebagai diabad-abad jang lalu, jang revolusi-revolusinja adalah sering sekali revolusinja segundukan manusia-atasan sadja – "the revolution of the ruling few".'

95 Sukarno, 'Djalannja Revolusi kita (Djarek). Amanat Presiden Republik Indonesia pada Hari Proklamasi 17 Agustus, 1960', 38. 'Lihat dan perhatikan! Suatu Negara jang tidak bertumbuh setjara revolusioner, tidak sadja akan digilas oleh Rakjatnja sendiri, tetapi djuga nanti akan disapu oleh Taufan Revolusi Universil jang merupakan phenomenon terpenting daripada dunia dewasa ini.'

96 Sukarno, 'Djalannja Revolusi kita (Djarek). Amanat Presiden Republik Indonesia pada Hari Proklamasi 17 Agustus, 1960', 72. 'sebab pembangunan semesta ta' mungkin berdjalan penuh tanpa ikut-ber-Revolusinja seluruh Rakjat.

> can continue as a People's Revolution and thus reach an optimal level of efficiency![97]

Sukarno's visit to China in 1956 must have had an important influence on this image of a united people working together under the guidance of revolutionary leadership.[98] According to Sukarno, China had implemented a developmental programme that was contextualized within the history, culture, and character of the nation. China's industrialization programme had mesmerized him during his visit to the country. Chinese industrialization was driven not through foreign investment but through a revolutionary reordering of the productive powers of society, which appealed to him immensely. It was perhaps no coincidence that Mao's Great Leap Forward occurred at just about the same time as the introduction of Sukarno's Guided Democracy.[99]

Third, it was a planned and coordinated revolution. The planned nature of the revolution was essential. 'Planning is an absolute requirement for the implementation of socialism! Thus the implementation can then be divided between Guided Economy and Guided Democracy.'[100] The revolution was a planned political, economic, social, cultural, and mental activity. The people, through organizations such as Depernas, created the plans, but their

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97 Sukarno, 'Djalannja Revolusi kita (Djarek). Amanat Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1960', 72–3. 'Saja mengulangi bagian pidato Manifesto Politik jang mengenai penggalangan tenaga dan semangat massa Rakjat ini in extensor (dengan lengkap), oleh karena masih banjak orang-orang dalam kalangan aparatur Negara – orang-orang dengan kwalit eit ndoro-ndoro dan djuragan-djuragan, wanita-wanita dengan kwaliteit den-adjeng den-adjeng dan den-aju-den-aju – jang tidak mengerti artinja tenaga massa dan semangat massa, bahkan menderita penjakit massa-phobi dan Rakjat phobi, jaitu takut kepada massa dan takut kepada Rakjat. Djiwa ndoro dan djiwa den-aju itu harus kita tjutji sama sekali dan harus kita kikis sama sekali, agar supaja Revolusi dapat berdjalan benar-benar sebagai Revolusi Rakjat, dan oleh sebabnja berdjalan seeffisien-effisiennja pula!'

98 Sukarno, 'Amanat Pembangunan Presiden, 28 Agustus 1959', in *Tudjuh Bahan Pokok Indoktrinasi* (Jakarta: Panitia Pembina Djiwa Revolusi, 1963).

99 In comparison to the failure of Guided Democracy, the Great Leap Forward was successful at least in terms of the ability of the Chinese Communist Party to mobilize the people. This, of course, resulted in a massive tragedy as the indigenous industrialization process resulted in the loss of millions of lives. It may perhaps have been a lucky thing for Indonesia to have had such a weak bureaucracy, for the state could not, even if it had wanted to, have implemented such massive programmes that would have been prone to violence.

100 Sukarno, 'Djalannja Revolusi kita (Djarek). Amanat Presiden Republik Indonesia pada hari Proklamasi 17 Agustus, 1960', 59. 'Perentjanaan Pola, atau Planning, adalah satu sjarat mutlak bagi pelaksanaan Sosialisme! Planning itu nanti dalam pengkarjaannja mendjadilah wahananja Ekonomi Terpimpin dan Demokrasi Terpimpin.'

implementation was to be guided by the revolutionary leadership. This was the last but perhaps one of the most important components of the revolution, for, in order for it to succeed, it had to be guided by the leadership. 'In the absence of leadership, without the provision of planning in each of the complex parts of the revolution, we would reach, as I have said before, a multi-complex chaos.'[101]

The revolution was rooted in the changing nature of the relationship between the people/masses and its leadership. The revolution thus shared its roots with the democratic expansion of participation. 'The foundation and goal of the Indonesian revolution is congruent to the Social Conscience of Man!.[102] Social justice, individual freedom and national freedom were the goal that was espoused by Sukarno during the formation of Indonesia's national ideology and principles, the Pancasila, in 1945. 'It is not a Western democracy, but a political-economic democracy, a political democracy with social justice (*sociale rechtvaardigheid*), a democracy with welfare; those two notions I squeeze into one. This is what I have always called a socio-democracy.'[103]

This focus on social justice and welfare promoted by the state was contrasted with a liberal notion of statehood. For the state to actually act in ways that would promote social justice and welfare, the executive was required to have the ability to act outside the boundaries that had been set up as part of the separation of powers. In the words of Utrecht:

> The granting of 'Freies Ermessen'[104] to the state administration meant that some of the power held by the Parliament, by the legislative body, has been transferred to the hands of the government, the administration, as the executive body. This is something that occurs in all 'welfare states'

101 Sukarno, 'Amanat Presiden tentang Pembangunan Semesta Berentjana. Sidang Pleno Depernas, 28 Agustus 1959', 60. 'Djikalau tidak diberi pimpinan, tidak diberi planning dimasing-masing bidang dari kompleksiteit daripada revolusi ini, maka kita achirnja sebagai tadi sudah saja katakan, datang kepada kompleksiteit kekatjauan.'

102 Sukarno, 'Penemuan Kembali Revolusi Kita', Pidato Presiden Republik Indonesia, 41. 'Dasar dan tudjuan Revolusi Indonesia adalah congruen dengan Social Conscience of Man itu! Keadilan sosial, kemerdekaan individu, kemerdekaan bangsa dan lain sebagainja itu adalah pengedja-wantahan daripada Social Conscience of Man itu'.

103 Sukarno, 'Lahirnja Pantjasila, 1947' in *Tudjuh Bahan Pokok Indoktrinasi* (Jakarta: Panitia Pembina Djiwa Revolusi, 1963), 29. 'Dan Demokrasi jang bukan demokrasi Barat, tetapi politiek-economische democratie, jaitu politieke democratie dengans sociale rechtvaardigheid, demokrasi dengan kesedjahteraan, saja peraskan pula mendjadi satu. Inilah jang dahulu saja namakan socio-democratie.'

104 Discretionary power or *pouvoir discretionaire* or *beoordelingsvrijheid*. It has become an essential component in Indonesian administrative legal theory.

> as a logical consequence of the implementation of said 'welfare state'. By expanding the power of the executive, the concept of the guided democracy is born as the system of government of the welfare state.[105]

This executive expansion was a worrying aspect of the administrative state in relation to democracy and it was something that had been bothering people both in the West and in Indonesia. 'Differing from the narrow definition of the legal state (Kant, Fichte), the 'idea of the modern legal state does not emphasize the law (positive law), but the goal of social justice (*sociale gerechtigheid*) to all citizens. If necessary, the state can act *outside* of the law in order to reach that social justice.'[106] The 'welfare state' thus expanded the discretionary power of the executive.[107]

In fact, leaving behind the *trias politica* was a phenomenon that transcended the ideological divide of the Cold War. In his discussion on public administration, Utrecht considered the various new ideas surrounding the shift from a separation of powers to a separation of functions: 'The separation was present in the discussions of three famous American experts who have studied "Government" and "Public Administration", namely Woodrow Wilson, Frank Goodnow, and Herman Finer.'[108] Obviously the rise of the welfare state in the West had not resulted in the rise of military dictatorships. Sukarno was adamant that the revolution was essentially democratic; he saw its genesis to be

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105 Ernst Utrecht, *Pengantar dalam Hukum Administrasi Negara Indonesia* (Jakarta: Ichtiar, 1963), 23. 'Diberinja "freies Ermessen" kepada administrasi negara itu sebenarnja berarti bahwa sebagian kekuasaan jang dipegang oleh dewan perwakilan rakjat, sebagai badan *legislatif*, dipindahkan kedalam tangan pemerintah, administrasi negara, sebagai badan *eksekutif*. Hal ini mendjadi kenjataan ditiap-tiap "welfare State" sebagai suatu konsekwensi logis dari diadakannja "welfare State" itu: supremasi badan legislatif diganti oleh *supremasi badan eksekutif*! Ekonomi terpimpin, sebagai sistim perekonomian "welfare State", – sebagai suatu konsekwensi logis – memperbesar kekuasaan eksekutif, melahirkan demokrasi terpimpin sebagai sistim pemerintahan "welfare State".'

106 Utrecht, *Administrasi Negara Indonesia*, 35. 'Berlainan dengan "idee" negara hukum dalam arti kata sempit (Kant, Fichte), maka dalam "idee" negara hukum modern titik-berat pada pokoknja tidak terletak pada "hukum" (hukum positif), tetapi pada tudjuan mentjapai keadilan sosial (sociale gerechtigheid) bagi *semua* warga negara. Apabila perlu, negara djuga boleh bertindak *diluar* hukum untuk dapat mentjapai keadilan sosial bagi semua warga negara itu.'

107 Some legal experts considered it the end of the law-based state when Sukarno gave ministerial status to the head of the Supreme Court in 1961. Reksohadiprodjo, '*The Relations of Law and Economic Development*', 33.

108 Utrecht, *Administrasi Negara Indonesia*, 34. 'Pembagian tersebut terdapat dalam tiga ahli terkemuka bangsa Amerika Serikat jang mempeladjari "Government" dan "Public Administration", jaitu Woodrow Wilson, Frank Goodnow dan Herman Finer.'

Western but more perfect, claiming as antecedents both the French and American bourgeois revolutions and the Marxist Russian revolution. Leaving behind the separation of powers, alongside the decimation of the legislative body and its party elements, the revolution also signalled a significant lurch towards the creation of a military dictatorship. Even if the Guided Democracy never became an outright dictatorship, it did provide the principles and groundwork for one.

It is also important to understand that the foundation of the Guided Democracy and Guided Economy state, Indonesia's constitutional ideology, did not particularly conflict with ideas surrounding the rise of the administrative state. The Presidential Decree of 1959 (Dekrit Presiden 1959) was issued outside the bounds of the constitution but was justified as a 'logical consequence of the implementation of a welfare state (guided democracy)'[109] in order to create executive supremacy over the legislative body. Sukarno used Article 22 of the 1945 Constitution (or Article 96 of the 1950 Constitution), which allowed for the creation of a government regulation in lieu of the constitution (*peraturan Pemerintah pengganti undang-undang*, or p.P.p.u.u.), which was justified in a 'situation of forced emergency'.[110] Rather than using it for its intended purpose, however, he used it to justify the ending of parliamentary democracy by attacking the liberal straw man. Guided Democracy was depicted as a social philosophy that went with the times, whereas liberalism was painted as something that was conservative and unmodern. The only difference was that it was to be a managerial state that was at the same time revolutionary. The argument shown above was congruent with the arguments discussed in Chapter 1: the 1928 generation was now being garbed as the 'revolutionary leadership'.

As a result, the rise of the Guided Democracy state was not incompatible with the developments in public administration that had occurred during the 1950s. The LAN was to occupy a relatively important position during the period, although it failed to take over leadership of the development of Indonesian public and business administration education.[111] The Guided Democracy's rise was not predicated on any form of East–West divide but, rather, on an almost mythical divide between liberalism and socialism. As Utrecht's discussion of the rise of the public administration in Indonesia shows, its roots were entirely Western, that is, American. That said, Utrecht did also discuss the German and Dutch cases and their own 'Americanization' during the period, especially the

109 Utrecht, *Administrasi Negara Indonesia*, 26.

110 Utrecht, *Administrasi Negara Indonesia*, 23.

111 Djuna Hadisumarto, 'The Indonesian Civil Service and its Reform Movement', PhD dissertation, Indiana University, Bloomington, 1974, 182–3.

thoughts of Dutch legal specialist O. M. Donner and management specialist Gerrit van Poelje.[112]

10 Legal Culture and Democracy

The conflict between democracy and efficiency was the main divider between what Waldo, writing in the 1940s, termed 'progressives', who advocated planning, and the 'old-liberals', who believed that efficiency could only be achieved if more democracy were introduced. In Waldo's words: 'They knew that the Future must well up from *below*. In opposition were those whose patience was exhausted waiting for the Promise of American Life to realize itself by natural and inevitable means, whose view of human nature was not so charitable and who had no faith in the devices of primitive democracy, who had begun to think of planning and who realized that builders need tools.'[113] The ambivalence towards democracy was partially based on the disdain that the manager had for the legal process. 'The anti-legal temper of public administration is obvious and its import clear. In fact, one does not need to go far in the literature of public administration to find that if any person is to count for less than one in the New Order it is the lawyer! The lawyer suffers from a meager social outlook, the spirit of the New Management does not abide with him.'[114]

Yet, the image of the welfare state was exemplified by the success stories of the Western European and North American democracies. The welfare state became a symbol of the success of the West. There was no doubt that people like Waldo, Burnham,[115] and Redford,[116] who had ruminated on the potentially autocratic nature of the state in question, saw the inherent problem in finding the balance between individualism and democracy and the welfare state. In fact, many of the analyses of public administration in the United States

112 Donner's idea, understood in Indonesia as *dwipradja*, divided the government along functional lines between those who determine the function of government duties (*taakstelling*), that is, policymakers, and those who implement the duties (*verwezenlijking van de taak*). This was in line with Woodrow Wilson's division into Government, as the political arm that determines policies, and Public Administration, which implements the policies in question.

113 Waldo, *The Administrative State*, 18.

114 Waldo, *The Administrative State*, 79.

115 Burnham, *The Managerial Revolution*.

116 E. S. Redford, *Democracy in the Administrative State* (New York: Oxford University Press, 1969).

focused on reconciling the problem between the ideals of individualism and democracy and the expansion of an efficient state.[117]

The strength of the commitment to the rule of law was related to the state–society ideology that the nation prescribed for itself. In this case, it could be argued that the American value of individualism, rooted in a tradition of economic independence, allowed for critical opposition that functioned as a check on the expansion of the administrative state. This 'liberal' opposition was practically non-existent in Indonesia. Rule of law was considered a bourgeois belief that masked the class roots of the law under objective and neutralist notions. As Suprapto phrased it, 'The theory of the law and the state, which is a formalistic, logical-formal abstract, instructs the creation of the law for the "vested interests", to maintain a state without justice (*Staat ohne Recht*).'[118] Even a legal specialist like Ernst Utrecht, who tried to argue for the relevancy and importance of at least administrative law, did not particularly posit the rule of law as an inherently central component of democracy. Similar to the communists' attack on the economic science taught by 'Sumitro-followers', the Marxist legal approach was to see the law as inherently bound up with the class struggle.[119] Jusuf Adjitorop, a member of the *politbureau* and secretary of the PKI, said that the main issue for national law was 'how to integrate the work of the legal specialist with that of the masses'.[120]

It was important that the law was revolutionized in order to reflect the changing values of the new ruling class. The role of national law was to raise awareness of Indonesian socialism and *gotong rojong* values, and to push for more equitable production methods for a just society.[121] Utrecht was a member of the National Law Development Institute (*Lembaga Pembinaan Hukum Nasional*), created in 1958 as part of the Guided Democracy revolution. In a seminar on national law held in 1963 by the institute, Suprapto, a legal specialist, explained the idea of the law as understood under Guided Democracy:

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117 For instance, Redford, *Democracy in the Administrative State* and F. C. Mosher, *Democracy and the Public Service* (New York: Oxford University Press, 1968).

118 Suprapto, *Dasar Pokok, Fungsi, Sifat2 dan Bentuk Hukum Nasional* (Jakarta: Lembaga Pembinaan Hukum Nasional, 1963), 8. '[…] teori tentang hukum dan negara jang formalistis, logis-formil-abstrak, itu mengadjarkan untuk menegakkan hukum bagi kaum "vested interest", untuk mempertahankan negara tanpa keadilan (Staat ohne Recht).'

119 Ernst Utrecht, *Pengantar dalam Hukum Indonesia* (Jakarta: Ichtiar, 1964), 230 and 306.

120 Jusuf Adjitorop, *Peranan dan Tugas2 Hukum Nasional dalam Alam Manipol* (Jakarta: Jajasan Pembaruan, 1963), 6.

121 Suprapto, *Dasar Pokok, Fungsi, Sifat2 dan Bentuk Hukum Nasional*, 15.

> Until now the influence of formalism on a theory of law based on a static, abstract way of thinking, with narrow formal logics, known as 'beslissing leer', 'theorie van stelligstaatsrecht' and so forth, has not been able to be fully removed from the science of Dutch legal knowledge. Basically, these theories intend to separate the law from its relationship with the entirety of social and individual life in all its myriad forms, which affect and are affected by one another, always moving and contradicting, with their own dynamics of change through the process of evolution and revolution and creating qualitative and quantitative exchanges. The theory of law that says that the law is the result of the abstraction of a decision made by officials appointed by the state, and that the state is merely an organization composed of a series of functions, a formalism needed by the colonialist to protect the vested interests of the monopolist and feudalist, of the landlords and other bloodsuckers.[122]

Individualism was seen as anathema to the ideals of Indonesian society. During the constitutional discussions in 1945, which gave birth to the national ideology, the conservative nationalist leadership chose to use the indigenous legal code (Herziene Inlandsche/Indonesische Reglement, HIR) as opposed to the European legal code. The HIR had fewer provisions in place to protect the legal subjects. According to Lev, the logic of colonial law 'had mainly to do with maintaining a manageable mass of Indonesians in place'.[123] During the Japanese occupation, many of Indonesia's nationalist leaders had worked in the administration. In a meeting with Sukarno, the head of the military in

122 Suprapto, *Dasar Pokok, Fungsi, Sifat2 dan Bentuk Hukum Nasional*, 7. 'Sampai pada saat ini masih belum dapat dihapuskan seluruhnja pengaruh formalisme daripada teori hukum jang didasarkan pada tjara berfikir abstrak jang statis, logika formil jang sempit, sebagai jang terkenal dengan nama "beslissingen leer", "theorie van stellig staatsrecht" dsb. Dari dunia ilmu pengetahuan hukum Belanda. Dalam hakekatnja teori-teori tadi hendaknja melepaskan hukum dari hubungannja dengan keseluruhan kehidupan masjarakat dan individu dalam berbagai-bagai seginja, jang saling berhubungan dan saling mempengaruhi, jang senantiasa bergerak dan saling berkontradiksi dan jang dengan dinamikanja sendiri berobah melalui evolusi dan revolusi, dengan menimbulkan pertukaran kwalitas dan kwantitas. Teori hukum jang mengadjarkan, bahwa hukum adalah hasil pengabstrakan dengan pikiran dari keputusan-keputusan jang dibuat oleh pedjabat-pedjabat jang ditundjuk oleh negara dan negara tak lain hanjalah suatu organisasi jang terdiri daripada rangkaian fungsi-fungsi adalah suatu bentuk formalisme jang diperlukan oleh kaum pendjadjah untuk mempertahankan "vested interest" kaum modal monopoli dan golongan feodal, golongan tuan tanah dan kaum penghisap lainnja.'

123 Daniel Lev, *Legal Evolution and Political Authority in Indonesia. Selected Essays* (The Hague: Kluwer Law International, 2000), 19.

Java, General Imamura, had personally stated his support for the employment of as many Indonesians within the government as possible.[124] Perhaps one of the most significant effects of the Japanese occupation was the promotion of a world view based on a deep and inherent suspicion and dislike of Western imperialism and its replacement with a corporatist economic order, one called Hakko Ichiu, which positioned the 'Eastern' concept of the family as the governing principle in understanding state–society relations.[125]

11 Conclusion

Understanding the ideological developments of the 1950s is essential to understanding the changes that occurred from the late 1950s as the Guided Democracy emerged. The process of Americanization inadvertently led to the importation of scientific management, whose Indonesian incarnation prompted an ideological shift. This allowed the rise of a pre-independence corporatist notion, which had been written into the earlier 1945 Constitution, to join forces with the efficiency mantra that drove the interest in scientific management. This resulted in a reordering of state–society relations that was congruent with corporatism and the idea of the welfare state.

The rise of a new Indonesian managerial class was a component in the structural changes that occurred with the creation of national planning. The expansion of the roles played by these new managers – graduates of the management education provided during the decade, as well as military officers who had obtained managerial posts within the government and the economy – required the reordering of the economy and wider society. In order to achieve this, a national planning scheme was created as part of the Indonesian revolution. It is on this national planning and structural transformation that the next chapter focuses its attention. These were essential components that complemented the shift in ideas that was inadvertently introduced as a result of the expansion of scientific management.

124 Mitsuo Nakamura, 'General Imamura and the Early Period of Japanese Occupation', *Indonesia*, 10 (October 1979), 1–26.

125 On the basic objectives of establishing a New Economic Order for the people of Java (*Jawa jumin keizai shintai seiken setsu no kompon shushini tsuite*), see Harry J. Benda, James K. Irikura and Koichi Kishi, *Japanese Military Administration in Indonesia: Selected Documents* (Ithaca: Southeast Asia Studies, 1965), 113.

CHAPTER 5

Economic Planning during the Guided Democracy

Abstract

This chapter discusses the development of institutions of national planning during the Guided Democracy and how it increasingly integrated the state within this structure. Sukarno's Guided Democracy state wanted to reform the relationship between the old political elite, the new managerial elite and the wider Indonesian society. It wanted to do away with the centralization of power and authority within expert bodies and expand on the participation of both the old political elites and the wider Indonesian society in national, regional and local planning. The problems inherent in such a corporative planning structure came to a head with the failure of the Eight Year Plan of the Guided Democracy. This failure resulted in the recentralization of planning authority within the community of experts in a new planning body that would become central to New Order policy making in the future, the Bappenas. The integration of national, regional and local government into the institution of planning had resulted in the formation of new power relations that placed the military and expert planners in the center of state making policies. These forms of power relations had expanded the managerial state into the lower parts of the Indonesian state and thus opening the way for a more integrated managerial state that wield the ability to coordinate on a deeper level of society. The rise of regional planning coincided with the expansion of the army's role in regional power politics and administration.

Keywords

Depernas – Bappenas – eight year overall national planning – regional planning

This chapter discusses the development of the institution of national planning during the Guided Democracy. The question that the chapter aims to answer is: who was leading society? Was it the experts, whom Sukarno considered to have failed the nation in the 1950s? Or did another, more democratic form of leadership emerge? The BPN was changed into the Depernas. This chapter studies the experiment of 'social control' or 'social participation' and looks at why this experiment, in the form of the Depernas, failed, and how developments in the latter part of the Guided Democracy strengthened the role of the

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experts by giving them key positions in a new body, the Bappenas, which was central to economic policymaking during the New Order.

The Depernas was a forum that bypassed Parliament and combined the older planning board and political representation in one body, a form of social control through incorporation. The function of the 'democratic' Depernas was to represent the people in national planning. Thus, its decisions and consensus were to be acknowledged and the authority of the planning body would be self-evident. The introduction of the idea of social control, as exemplified by the Depernas, by the introduction of new institutions such as the company board (*dewan perusahaan*), and by ideas such as open management, represented a genuine attempt to implement changes. But it was one that would ultimately fail.

After the failure of the Depernas, the National Planning Body (Badan Perantjang Nasional, Bappenas) was created in 1963. This represented a correction to the corporatist experiment, allowing the 'experts' greater participation within the planning agency. It also included a political wing, the National Planning Consensus (Musjawarah Perentjanaan Nasional, Muppenas), which acted as the parliamentary wing of the Depernas. The Bappenas–Muppenas enabled the gradual re-infiltration of the 'expert' managerial class into planning. It created a planning structure that united the central and the regional executives. In this way, the answer to the problem that had plagued the 1950s – how to create coordination among the national executive in lieu of the Pamong Praja – had seemingly emerged. The inherent tension between societal participation and expert leadership was to play out more forcefully in the economic policymaking of the period. The institutional development of planning, however, illustrated the rise of an executive class that owed its position to the efforts to implement national planning.

1 Transition from the BPN

The BPN drew up Indonesia's first Five-Year Development Plan (1956–1960) in 1956. It was then submitted to Parliament but was not approved until 1958. In the meantime, many of the economic assumptions contained within it had changed. Aside from the enactment of a foreign investment bill,[1] the plan failed to materialize. In 1958, the role of the BPN in national planning was replaced by

1 Submitted to parliament during the second Ali Cabinet in 1956, it was finally passed in 1959. Bruce Glassburner, *The Economy of Indonesia. Selected Readings* (Ithaca: Cornell University Press, 1971), 90.

the newly created Depernas. The BPN had been a PSI-dominated bureau and when the social democrats lost political influence, the PKI succeeded in closing it down on charges of it being too 'capitalist'.[2] The communists were very critical of the BPN's large-scale manufacturing projects, such as the Asahan Aluminium Mill. Ir. Djuanda Kartawidjaja, as prime minister, presided over the dissolution of his BPN power base, but he recovered his power by creating the Economic and Finance Bureau (Finek or sometimes called bureau number two), a prime-ministerial office with the task of assisting in economic matters. He appointed former BPN staff member Muljatno Sindhudarmoko as bureau chief, and Ali Budiardjo and Saubari as staff.[3] This bureau, coupled with Djuanda's control of the FEUI, the Ministry of National Research (Kementerian Urusan Research Nasional) under Minister Sudjono Djuned Pusponegoro,[4] and the Leknas, provided adequate protection for the core social scientists, enabling them to flourish both in research and in developing power relations.

The role of Djuanda during the early Guided Democracy period, from around 1957 to 1962/1963, was perhaps as central as that of General Nasution. Although people like Sumitro Djojohadikusumo had left, the 'technocratic element' still existed at the core of both the government and the military. Taufik Abdullah recalled a conversation in which a famous Indonesianist said that 'people will realize later on how crucial Djuanda's role was in these critical years, and how much of a loss to the nation the sudden death of Djuanda was'.[5] Djuanda died in 1963. Born on 14 January 1922 to Raden Kartawidjaja, a schoolteacher from the lower Sundanese nobility, Djuanda obtained a scholarship to study at the Bandung Technical College (Technische Hogeschool Bandoeng) in 1929, graduating as a civil engineer in 1933. He became a director of the Muhammadiyah teaching school in Batavia before getting a job as a civil servant with the Department of Water Control (*waterstaat*) in the province of West Java in 1939. Unlike Hatta or Sumitro, Djuanda thus never lived in Holland nor was he particularly active within the nationalist movement.[6] With no affiliation to any particular party or ideology, Djuanda was a neutral option for Sukarno's right-hand man.

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2 Robinson Pangaribuan, *The Indonesian State Secretariat, 1945–1993* (Perth: Murdoch University, 1995), 15.

3 Pangaribuan, *The Indonesian State Secretariat*, 16. Budiardjo was sympathetic to the PSI. Higgins and Higgins, *Crisis of the Millstone*, 87.

4 Prior to his appointment as a minister, Pusponegoro was the rector of the Universitas Indonesia and dean of the Faculty of Medicine there.

5 Taufik Abdullah, 'Kata Pengantar', in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda. Negarawan, Administrator dan Teknokrat Utama* (Jakarta: Kompas, 2001), xx.

6 Nanulaita, 'Ir. Haji Djuanda Kartawidjaja', 8–71.

Rosihan Anwar called Djuanda a pioneer in the Indonesian technocracy, in that people like him 'have no specific ideological commitment, in fact they act and are apolitical. Their main function is to be a helper and to aid their political master'.[7] This was certainly not entirely true of the New Order technocrats, whose relationship with the military state was determined by their desire to promote a certain vision of the Indonesian economy. Quoting Hanna, Higgins stated that Sukarno's entourage was composed of sycophants, rogues, and houris.[8] And although he wasn't 'political' in the usual sense, Djuanda was pro-heavy industry, supporting large projects such as the Jatiluhur electric plant, the Gresik cement plant, and the Krakatau steel mill.[9]

One of the most important components of the Guided Democracy state was the belief in the importance of centralizing the executive. The Pamong Praja corps, which had been slated to disappear under the decentralized regional governments, was revived by Sukarno in his presidential edict of 1959,[10] and this had the effect of recentralizing the executive.[11] The Pamong Praja was to work alongside a territorial military structure that had also been expanded during the period. With the creation of a national planning body composed of representatives of working bodies (Karya groups), the fractious, decentralized, party-based society of Indonesian liberalism was replaced by an incorporated structure in which society would participate in national planning and in the greater economy through the application of open management systems. The structure of power would be centralized, allowing society and state to function as one organic whole.

2 Institutional Development during the Guided Democracy

On a general level, we can divide the Guided Democracy into two periods. The first covered 1957–1962 and represented an experimental period, in which various new institutions were set up within an environment that held an optimistic

7 Rosihan Anwar, 'Pelopor Teknokrat. Non-Stop Jadi Menteri', in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, Administrator dan Teknokrat Utama* (Jakarta: Kompas, 2001), 217–18.

8 Higgins and Higgins, *Crisis of the Millstone*, 122.

9 Mohammad Sadli, 'Pelopor Perencanaan Pembangunan Ekonomi', in Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, Administrator dan Teknokrat Utama* (Jakarta: Kompas, 2001), 258–9.

10 J. D. Legge, *Central Authority and Regional Autonomy in Indonesia: A Study of Local Administration, 1950–1960* (Ithaca: Cornell University Press, 1961), 21.

11 Legge, *Central Authority and Regional Autonomy*, 201–29.

view of the future. It was a corporatist period in which participation in the planning body through Karya organizations was heralded as the foundation for a stable and efficient Indonesia. During this period, Sukarno's anti-expert feelings were at their height. The second period, 1962–1965, was the period after the experiments had been conducted, when the mood shifted towards one of apathy and pessimism. The changes also saw Sukarno wielding increasing authority as well as a loss of power for Nasution. Interestingly, the latter period also saw the rise of Western-educated social scientists and communists in the executive and their increasing prominence in the discourse on the economy. There was also growing economic distress and a loss of control of the state, while simultaneously a series of new, executive institutions were established that were to become the institutional bedrock of the future New Order state. In short, it was a period rife with contradiction and conflict that witnessed the rise of a new generation of experts that was to exercise an increasing influence on the executive.

As Herbert Feith describes, Guided Democracy was both an initiative of the military and Sukarno, 'and they did so not as leaders and followers or as part of a single power group, but as two partners and followers, or as a part of a single power group, as two partners between whom relations were competitive as well as cooperative'.[12] In the early phase, starting around 1957, Nasution used the martial law that was proclaimed after the dissolution of Ali Sastroamidjojo's Cabinet to push forward his institutional ideas. His authority as chief of staff of the army resulted in his command of the Central War Authority (Penguasa Perang Pusat, Peperpu), which controlled the Regional War Authority (Penguasa Perang Daerah, Peperda). Sukarno successfully wrested control of this double administration away from Nasution when he dissolved the Peperpu and established the Supreme War Authority (Penguasa Perang Tertinggi, Peperti), positioning himself as the head of both the civilian and the military administration.[13] In December 1961, the Supreme Command for the Liberation of West Irian (Komando Tertinggi Pembebasan Irian Barat, KOTI) was created under Sukarno; this became the most important government agency, acting like a cabinet.[14] The competitive atmosphere had resulted in the formation of institutions along similar lines by both the military and Sukarno. In many cases, the initiative was taken by Nasution and

12 Herbert Feith, 'The Dynamics of Guided Democracy', in Ruth McVey (ed.), *Indonesia* (New Haven: Hraf Press, 1964), 327.

13 Crouch, *The Army and Politics in Indonesia*, 47.

14 Penders and Sundhausen, *Abdul Haris Nasution*, 158.

then followed by Sukarno. It was not until 1962, when Sukarno succeeded in undermining Nasution's position, that an expansion of executive authority took place under the presidential office, putting institutional authority in the hands of the president.

According to Daniel Lev, 'The striking aspect of Guided Democracy as it developed after the restoration of the 1945 Constitution was that it contained many political but few institutional controls. For institutions were pulled apart and broken down but poorly reassembled.'[15] While there was an institutional breakdown, new organizations and institutions were created. While Sukarno's preoccupation with politics and the shoring up of his support base reduced the efficacy of these new institutional arrangements, it is important to realize that significant path-dependent changes were being wrought. The importance of the Guided Democracy experiment was in its impact on the establishment of Indonesia's state–society relations. The problems of perceived government inefficiency resulted in the creation of an 'experimental' state. In the words of Sukarno: 'If we admit that the Indonesian revolution is not yet over, we have to understand that we will have to confront continued renewal. Try this, if it doesn't work, try something else [...] if that doesn't work, then try again [...]. Revolution is a dynamic process.'[16] This experimental approach showed a belief in historical materialism and the dialectic of nature itself. As Engels said, 'the whole of nature has its existence in eternal coming into being and passing away, in ceaseless flux, unresting motion and change'.[17]

Two important events heralded the rise of the Guided Democracy. The first was the expropriation of Dutch-owned enterprises and the subsequent forced repatriation of Dutch citizens from Indonesia. This resulted in the opening up of positions in newly nationalized corporations and, subsequently, the hasty expansion of management science to fill the void left by the departing Dutchmen. The second was the further implementation of the dual function of the military, which enabled greater participation by the military in both civilian and business management.

The figure above represents a simplified model of institutional development within the government during this period. The strategy can be divided into two: a macro strategy for state coordination and a micro strategy for the

15 Lev, *The Transition to Guided Democracy*, 286.

16 Sukarno, 'Don't Built a Façade on Sand', in *Dewan Nasional* (n.p.: Kementerian Penerangan RI, n.y.), 62.

17 Friedrich Engels, *The Dialectics of Nature*, quoted by Roeslan Abdoelgani; see Abdoelgani, 'Tentang Ketegasan Sosialisme Indonesia I. Landjutan Kuliah Umum di Universitas Malang pada Tanggal 13 Februari 1961', ANRI, Roeslan Abdulgani, inv. no. 64.

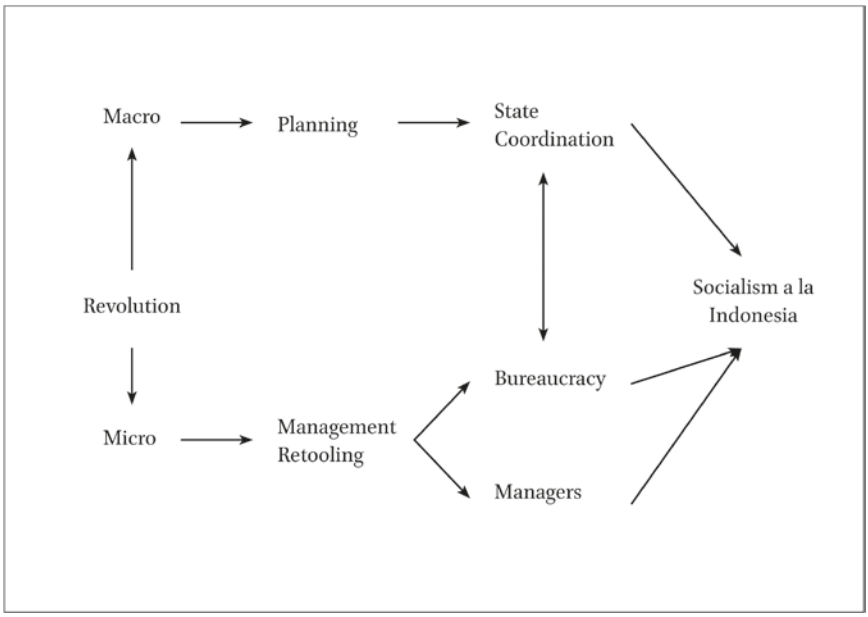

FIGURE 6 Institutional development under Guided Democracy

transformation of the individual civil servants. The macro strategy tried to resolve the 1950s' problem regarding the inability of the state to implement concrete national coordination and planning. The micro strategy looked more deeply at the implementation of management science and the ideological efforts made to create a 'new Indonesian man' through the establishment of both state effectiveness and nation-building. State capability and nation-building became intertwined within an ideology that promoted the state's control as the end goal of the nation. This development was important because, although the Guided Democracy was a failure, it also cemented in place the kind of military-technocratic state that the New Order would become.

The Indonesian economy was restructured along corporatist lines when the government issued the Law on State Enterprise (Peraturan Pemerintah No. 16/1960) in April 1960. The law stipulated the creation of general management boards (badan pimpinan umum, or BPUs), which were given authority over the general management of, and staff functions for, particular industries: trading, mining and industry, sugar, rubber, agricultural products, and so on. The general management boards were created to replace the Nationalization Board (Badan Nasionalisasi, Banas) that was headed by Prime Minister Djuanda, the governor of the central bank, and eleven other ministers, who had managed

the nationalization of the Dutch-owned companies.[18] These BPUs were placed under the authority of the relevant ministries. Together they acted as a 'super management' board with the authority to intervene in day-to-day operations.

Back in 1957, the takeover of Dutch corporations had resulted in a group of military and civilian officers into the management rooms of corporations. On 10 December 1957, Central Military Ruler (Penguasa Militer Pusat) Nasution instructed all Regional War Authority (Penguasa Perang Daerah, Peperda) to take charge of Dutch corporations, many of which had already ended up in the hands of leftist trade unions. The creation of the Banas was a significant event as it brought policymaking for all types of nationalized enterprises under the central control of Prime Minister Djuanda, eleven other ministers, and the governor of Bank Indonesia. When a more permanent control machinery replaced the Banas, its staff was incorporated as a coordination board, ensuring continuity.[19] Two important factors should be noted here. First, the appointment of Colonel Suprajogi as the head of the Banas and as minister of production coordination meant that the military gained a significant say in the organization. This included hiring people such as Colonel Soehardiman and other military managers to work at the Banas. Second, retaining the Banas under the Office of the Prime Minister ensured the continuity of significant parts of its policymaking, which was led by the expert elites of the planning body. As in economic planning, much of the policymaking was thus successfully retained under the authority of Prime Minister Djuanda.

Several months later, in March 1958, Nasution ordered the creation of the Central Body for the Management of Industrial and Mining Companies (Badan Pusat Penjelenggaraan Perusahaan-perusahaan Industri dan Tambang, or Bappit). The biggest shift in the management of state-owned companies took place in 1960 with the issuing of a Government Regulation in Lieu of law (Peraturan Pemerintah Pengganti Undang-undang or Perpu).

Despite these manoeuvres, the presence of the military within these corporations, in the Bappit, and within the newly created BPUs remained, and, in fact, army men were present in practically all-important state institutions. Within the Bappit, three BPUs were created.[20] The Depernas's discussion on the Corporatist Body of Private Business Owners (Badan Musyawarah Nasional, Bamunas) finally solved the issues surrounding the position of government-owned corporations within the framework of socialism à la Indonesia. As in the area of national planning, experts like Mr Ali Budiardjo and managers such

18 Mackie, 'Indonesia's Government Estates', 341–2.

19 Mackie, 'Indonesia's Government Estates', 328.

20 Machines and Electricity, Chemistry, and Transportation.

as Lieutenant Colonel Soekamto Sajidiman, who was the BPU director of the State Trading Corporation Juda Bhakti, visited countries including Yugoslavia and Czechoslovakia to study the role of the state, the market, and organizations like the Chamber of Commerce within the economies of these socialist states.[21] There was interest in Yugoslavia's 'socialized enterprises' system, in which companies were not centrally nationalized but controlled by the workers through the formation of collectives. As with the regionalization of national planning, which the Depernas envisaged for later on, many experts also saw the need to decentralize ownership.[22]

Another important innovation in corporate management was the Company Council (Dewan Perusahaan). It was created on the assumption that workers having control over the management might result in a system of checks and balances that would reduce corruption.[23] As Suprapto phrased it,

> The capitalist oppression conducted through the hierarchical system, from the *opperdirecteur* in the Netherlands, via the directors, managers, representatives, and *zetbaas* in Indonesia must be revamped and changed into a democratic system that allows for the participation of workers in the management of the company, the planning of work, and planning itself.[24]

There were two levels of council: the Management Board level and the company level. At the Management Board level, the council was composed of a representative from management, who served as the chairman, and a representative from a union or peasant organization connected to the company. If

21 Lieutenant Colonel Sajidiman specifically met with the Chamber of Commerce of Czechoslovakia in September 1961 to understand its role in the socialized economy, something which he envisaged the BPUs mimicking. Sajidiman, 'Perdjalanan ke Negeri Tjekoslowakia dalam rangka Tugas Pemerintah', *Madjallah Perusahaan Negara*, 1/11 (November 1961).

22 Mohammad Sadli, 'Masalah Perusahaan Negara di Indonesia. Laporan Symposium pada Latihan Pembangunan Ketatalaksanaan', *Madjallah Perusahaan Negara*, 2/18 (June 1962), 4.

23 Mochammad Natzir, *Dewan Perusahaan sesuai dengan UU No. 45 Prp. thn. 1960* (Makassar: Sedjahtera, 1963), 7.

24 Suprapto, *Dasar Pokok, Fungsi, Sifat2*, 17. 'Sistim penindasan kapitalisme jang didjalankan dengan melalui hierarchie dari atas ke bawah, mulai dari opperdirectur di Negeri Belanda, direktur-direktur/manager-manager/vertegenwoordiger-vertegenwoordiger/zetbaas-zetbaas di Indonesia harus dirombak dan diganti dengan sistim jang demokratis, jang memungkinkan kaum pekerdja turut serta dalam pimpinan perusahaan, turut merentjanakan pekerdjaan dan turut mengambil bagian dalam pelaksanaan rentjana.'

the company was not in the agricultural sector, union representatives could replace peasant representatives. A union's membership had to equal 30 per cent of the total workforce of the company for it to be represented. An expert was appointed to be part of the council. At the company level, the ministers also had the right to appoint community leaders suggested by the local governor. The company board (dewan perusahaan) was a consultative body, offering recommendations for improving the environment of the companies in order to increase productivity. By the middle of 1964, there were twenty-one workers-management councils at the BPU level and 636 at the enterprise level; 60.5 per cent of the representatives were from labour unions, 13.5 per cent from the farmers' union, 24 per cent came from the management, and 2 per cent were experts.[25]

Studies by Everett Hawkins have shown that there was a decrease in the number of labour disputes from 4,131, involving over five million workers, in 1957, to 807, involving over seven hundred thousand workers, in 1963. This was not because of a decrease in the number of grievances, but because labour disputes were transferred from the labour dispute bureau to the military's labour relations group (Badan Kerdja Sama Buruh-Militer, BKS-Bumil).[26] Again, in accordance with Indonesian corporatist ideas, disputes and forms of decentralized decision-making were replaced by consensus within familial structures dominated by the executive, the military, or a combination of the two. The expansion of participation was met with hostility by some parts of the management, which often had a difficult relationship with aggressive unions.[27]

3 Depernas

The Depernas was entrusted to create not just an industrial or development plan, but an overall national plan 'to be built in accordance with Indonesian ideals'.[28] It was an official, high government body, on the same level as Parliament and the Supreme Court. Sukarno wanted the Depernas to stand outside

25 Panglaykim, 'Indonesian State Enterprise and Worker-Management Councils (Dewan Perusahaan)', *Asian Survey*, 3/6 (June 1963), 285–8.

26 Everett Hawkins, 'Labor in Transition', in Ruth T. McVey, *Indonesia* (New Haven: Southeast Asia Studies, 1963), 248–71; Panglaykim, 'Worker-Management Councils in Indonesia', *World Politics*, 17/2 (Jan. 1965), 243–55.

27 Panglaykim, 'Worker-Management Councils in Indonesia', 252.

28 Roeslan Abdulgani, 'The Lessons of Indonesia's Experience in Planning', in *Politik dan Ilmu* (Jakarta: B.P. Prapantja, 1962), 157.

and above the authority of the cabinet, although Djuanda was legitimately worried that this would make coordination difficult. Although he insisted in Parliament that the body should be under the authority of the cabinet, Sukarno's corporatist idea held sway.[29] This decision was made through the National Council (*Dewan Nasional*). The council appointed the engineer Prof Herman C. Johannes of Gadjah Mada University to lead a nineteen-man commission to form the Depernas. The commission was composed of several intellectuals, including Gerrit Augustinus Siwabessy, an engineer; Tjan Tjoen Som, a Sinologist; and Raden Djokosoetono, a legal expert. On 8 October 1957, Johannes gave an exposition of the Depernas to the National Council, which approved it the following day.

Further discussion of the Depernas was deferred to the National Development Congress (Musyawarah Pembangunan Nasional, Munap), held on 25–27 November 1957. The Munap was organized by the BPN. The BPN produced working papers, which were distributed and discussed by the various panels. Around four hundred delegates attended the congress from the government and the private sector. Regional civilian and military governors came with their advisers, along with members of the central government, Parliament, the Constituent Assembly (Dewan Nasional), and the National Council, and representatives of traders, industrialists, the banking sector, labourers, farmers, young people, women, reporters, veterans, artists, and religious leaders, all of whom were represented by their contemporary organizations.[30]

The corporatist nature of the congress was to be replicated in the Depernas, a prototype of which was first displayed by the National Council. This was part of the effort to create social control through social participation.[31] These organizations traditionally had vertical ties to various parties, similar, according to Nasution, to the Dutch *verzuiling* structure.[32] Djokosoetono

29 Lev, *The Transition to Guided Democracy*, 180.

30 *Keng Po*, 26 November 1957. Those attending included the SOBSI, the KBKI, and the RKS representing the labour organizations, while Majelis Perniagaan dan Perindustrian, the DEIP, the MII, the KENSI, and Perbana represented the economic sector. The BTI, the STII, and Petanu represented the agricultural sector, and the PWI, the IPPKN, and Ikatan Wartawan Ekonomi represented the reporters. Finally, Wakil Legiun Veteran and the MUVI stood for the veterans and the LEKRA and the BKMN for the artists.

31 Even at the end of the Guided Democracy, the creation of the Bamunas in 1965 was part of the effort to ensure 'social participation and social control'. *Musjawarah Pusat Bamunas Ke-I. 19–20 Pebruari 1965* (Jakarta: Bamunas, 1965), 2.

32 A. H. Nasution, 'Mengabdi Bangsa Bersama Pak Djuanda', in Awaoeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda Kartawidjaja. Negarawan, Administrator dan Teknokrat Utama* (Jakarta: Kompas, 2001), 296–7.

warned that corporatist states only existed in fascist and communist countries.[33]

The plan stressed the 'indigenous' nature of its creation, in comparison to the 1950s' dependency on foreign experts. The Depernas was to be a testament to the capabilities of the non-professional. Roeslan reiterated this again in his speech in Malang: 'The results of the Depernas in its basic principles are full of quality and value, in line with our revolution and the wishes of the people. This is not surprising. The character of its members determines the character of its results.'[34] He added:

> It is not too much to say that the members of the Depernas are the sons of revolution and the sons of the people. They are different from the previous planning and development boards, whch emphasized their members' intellectual expertise. Instead of these theorists, who had little contact with the common people, the Depernas focuses its membership on groups or Karya that have deep roots within and amidst society, without dispensing with the advice and opinion of experts. No less than 270 Indonesian experts in 12 fields of development, who have excellent qualifications and capabilities have been deployed and have had their opinions heard by the Depernas in order to perfect their work.[35]

On 16 July 1958, the Ministerial Council appointed Muhammad Yamin and Hanafi to formulate the Depernas bill. The Depernas was to devise, supervise,

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33 Nasution, 'Mengabdi Bangsa Bersama Pak Djuanda', 297.

34 Abdulgani, 'Tentang Ketegasan Sosialisme Indonesia II. Landjutan Kuliah Umum di Universitas Malang pada Tanggal 13 Februari 1961', 68, in ANRI, Roeslan Abdulgani, inv. no. 641. 'Hasil-karya Depernas dibidang pengertian-pengertian jang pokok-pokok ini adalah hasil jang bermutu dan bernilai, tjotjok dengan tuntutan Revolusi kita dan Amanat Pederitaan Rakjat. Hal ini tidak mengherankan. Watak keangautaannja menentukkan watak-hasilnja.'

35 Abdulgani, 'Tentang Ketegasan Sosialisme Indonesia II', 68, ANRI, Roeslan Abdulgani, inv. no. 641. 'Karena itu tak berlebih-lebihan kiranja kalau dikatakan disini bahwa anggautaanggauta Depernas adalah putra-putra Revolusi dan putra-putra Rakjat. Berbeda dengan dewan-dewan perantjang dan pembangunan jang dulu-dulu, jang menitik-beratkan keangautaannja kepada para intelek-ahli dan intelek-expert, dan kepada ahli-ahli teori jang kurang berkontak dengan kehidupan Rakjat dan masjarakat, maka Depernas mengutamakan keanggautaannja untuk golongan-golongan karya jang berakar dimasjarakat dan ditengah-tengah rakjat, tanpa mengabaikan nasehat dan pendapat para ahli dan para expert. Tidak kurang dari 270 orang tenaga ahli Indonesia dalam 12 bidang pembangunan, jang bermutu tinggi dan berkapasiteit besar telah dikerahkan dan didengar pendapatnja oleh Depernas dalam penjempurnaan pekerdjaannja.'

and evaluate an overall national plan. Its first duty was to create an Eight-Year Overall Development Plan. This was later expanded when, in January 1961, the president formed a working body to create an annual plan based on the Eight-Year Plan. On 30 June 1959, the Depernas decided to name Muhammad Yamin the minister-chairman of the Depernas. Within the Depernas, prominent individuals represented each province, usually the governor. The armed forces, as well as national businessmen and minority groups, were given seats in the body. This disparate collection of interests was convened over a period of ten months in order to create the Eight-Year Plan. Four plenary sessions were held based on the themes of basic necessities (*sandang pangan*), state constitution (*kenegaraan*), economy/finance, and society.

The master plan for Indonesia's first and only Eight-Year Plan was met with much scepticism. The plan was presented in the form of eight books, seventeen volumes, and 1,945 paragraphs. The symbolic nature of the arrangement of the plan was that it mirrored the date of 17 August 1945, Indonesian Independence Day. The Depernas was not clear on how its plans were to be superintended and reviewed.[36] There was a struggle among the leadership over who was to carry out the plan, with Djuanda trying to entrust its control to a small, expert group of ministers and Chaerul Saleh trying to move it to his ministry.[37] However, the Depernas lacked the institutional capability to carry out a national plan and became merely a council that collected departmental plans. It lacked coordinating and supervising capabilities. The plan also only included those projects that were to be financed by the central government. Regional-government and private-sector finance were not included.[38] The plans themselves would eventually be given back to their respective ministries and departments and the problems inherent in them would result in their failure. The Eight-Year Plan was merely a collection of various projects without a unifying framework.

The plan was criticized externally, too. On a visit to Washington, DC in April 1961, Sukarno gave President Kennedy a copy of Indonesia's economic plan. Kennedy sent the plan to a team of experts from Yale University, who went on a twenty-four-day mission to Indonesia in August of the same year. The mission found deep flaws in the development programme. An expanded programme

36 *Hasil Konferensi Kerdja Bappenas–Baperdep* (Jakarta: Bappenas, 1964), 4.

37 J. A. C. Mackie, *Problems of Indonesian Inflation* (Ithaca: Modern Indonesia Project, 1967), 28.

38 Sutikno Slamet, 'Uraian Mengenai Pembiajaan Pembangunan Nasional, Pengawasan dan Penilaian', in *Hasil Konferensi Kedja Bappenas/Baperdep–Bakopda* (Jakarta: Bappenas, 1964), 102.

of development was considered impossible 'until Indonesia makes greater progress in putting its house in order'.[39] One of the main conclusions was that American help should focus on the education and training of Indonesian managers and technicians, and proposed aid to the tune of $325–390 million.[40] Without adequately skilled personnel, that money would not be spent but would only add to the rate of inflation. The investment required Rp 30 billion, or 13 per cent of Indonesian GDP in 1961 alone; for the entire eight years, it would have required Rp 240 billion, 50 per cent of which (that is, $270 million) would have had to be paid in dollars.[41] The Indonesian government ignored the report.[42]

In a report to the president, the minister of public works, engineer Sardjono Dipokusumo, reiterated that the plan made weak assumptions about project financing. The plan divided the projects into two: A projects and B projects. The A projects were 'proper' development projects, including those to achieve rice self-sufficiency and textile self-sufficiency, and to lay the foundations for heavy industry, such as the creation of steel and aluminium mills and petrochemical plants. All of this was to be financed by the B projects, which constituted 'low-hanging fruit', as they utilized Indonesia's rich resources. The Depernas mapped eight areas of Indonesian low-hanging fruit: petroleum, timber, fisheries, copra, rubber, tin, alumina, and tourism. While Indonesia had these resources in abundance, the Depernas failed to assess the capital and expertise needed to increase production in these sectors. For instance, the plan for Kalimantan timber was to export 37 million cubic metres of wood per year. However, the wood export volume of the entire world was only 40 million cubic metres. Such production would not only swamp the world's markets but would have required roads whose capital investment would have needed up to Rp 90 billion, twice the size of the 1961 national budget.[43] Similar issues can be seen in the fisheries project, where calculations required Indonesia to invest in a fleet three times as large as the fleet belonging to the top fishing nation, Japan. As Dipokusumo reiterated in his conclusion: 'none of the plans above considers reality. None of them can be successfully conducted, perhaps some

39 Donald Humphrey et al., *Indonesia. Perspectives and Proposals for United States Economic Aid* (New Haven: Yale University Press, 1962), 160.

40 Mahajani, *Soviet and American Aid to Indonesia*, 19.

41 Abdulgani, 'Tentang Ketegasan Sosialisme Indonesia II', 54, ANRI, Roeslan Abdulgani, inv. no. 641.

42 Anwar, *Sukarno, Tentara, PKI,* 189. That $30 billion would have had to be paid for through the national budget. Exports, in fact, decreased during the period. ANRI, Jakarta, Roeslan Abdulgani, inv. no. 880.

43 Twice the national budget for 1961.

may be conducted on a small scale, but such a scale would never be justifiable as a source of meaningful development.'[44] Unfortunately, Yamin totally disregarded cabinet criticisms of the plans.[45]

Lack of data was cited as one of the main problems with the Eight-Year Plan.[46] 'More often than not, the numbers do not match other data, or are not in accordance with reality. This situation had forced the Depernas to calculate its own numbers in important fields through the creation of special committees, such as the Population Committee (Komisi Populasi) and the National Income Committee (Komisi Pendapatan Nasional).'[47] They thus ignored the vital fact that the plan had no supporting organization to provide them with data. As a result, there were a lot of guesstimates. For instance, gross domestic product was calculated to be between Rp 163 billion and Rp 267 billion, depending on which of the seventeen volumes of the master plan was consulted; at the same time, per capita growth was assumed to be between 0.1 and 5.6 per cent per year until 1969, depending on the population growth rate, which varied from 1 per cent to 3.6 percent per year in the various volumes.[48] These figures were significantly different and thus provided different estimations of the developments in question.[49]

By 1962, the plan had essentially unravelled. Government investment in the plan had reached Rp 67.7 billion, or 41 per cent of Indonesia's GDP in 1960, using the Depernas's lower estimate. By the end of 1961, government revenue from these development projects had yielded just Rp 10.4 billion instead of the planned Rp 19 billion. In 1962, most of the Rp 40 billion needed to finance the plan had to come from the national budget because the projects had yielded a measly Rp 4.2 billion. The B projects yielded $5 million, or Rp 225 million, from the Pan-American Oil Company, and Rp 20 million from tourism, out of a projected annual revenue of Rp 225 million. The projected yields from forestry of Rp 295 million, fisheries of Rp 70 million, copra of Rp 427 million, and rubber of around Rp 1.8 billion did not materialize due to either lack of

44 S. Dipokusumo, 'Masalah Pembiajaan Pembangunan Semesta, Rentjana Depernas', 2 September 1960, S.1417/9/60, in ANRI, BAPEKAN, inv. no. 5.

45 Guy Pauker, 'Indonesia's Eight Year Development Plan', *Pacific Affairs*, 34/2 (1961), 115.

46 *Badan Perentjanaan Pembangunan Nasional* (BAPPENAS). *Peraturan-peraturan* (Jakarta: Bappenas, 1964a), 8–9.

47 *Badan Perentjanaan Pembangunan Nasional* (BAPPENAS). *Peraturan-peraturan* (Jakarta: Bappenas, 1964a), 8–9.

48 Soerjadi, 'Sistim Ekonomi Terpimpin dibidang Moneter', speech given at the HSI Economic Seminar, 20 July 1963, 14–16.

49 For more on the history of national-income accounting, see W.H. Arndt and C. Ross, 'The National Income Estimates', *Bulletin of Indonesian Economic Studies*, 6/3 (1970), 33–60.

investment or the inability to control the export market. Tin exports actually went down.[50]

4 The 1962 Regrouping

There was a significant regrouping in 1962. This resulted in national planning and many other institutes being placed under the office of the president, in a way similar to the centralized structure that existed during the parliamentary democracy.[51] Economic deterioration and the failure of the Eight-Year Plan forced these changes and gave rise to a more significant role for experts within the government. Nasution, Sukarno's biggest rival, was effectively demoted by 'kicking him upward' to a technically higher post, but one with less authority.[52] In the eyes of many, the appointment of Ahmad Yani as head of the army put the army more fully under the president's control. Roeslan Abdulgani was removed from the cabinet, which was a surprise to many. Djuanda kept his post, but by this time he was somewhat incapacitated by illness, having been diagnosed with heart problems in August 1961. Sukarno had also banished Sjahrir and his inner circle to East Java.[53] On 17 October 1962, Muhammad Yamin died and was buried in West Sumatra. On 7 November 1963, Djuanda passed away.

A speech Roeslan Abdulgani gave in 1967, titled 'The Death of Djuanda: The Turning Point', emphasized the changes to the government after this period. According to Awaloeddin Djamin, the failure of the economic recovery (Dekon) was attributed to the absence of Djuanda, as influence passed to Soebandrio.[54] This may be too simplistic an interpretation, as Soebandrio was instrumental in getting the nascent technocrats on board with the rehabilitation programme. It is also uncertain whether Sukarno would have listened to Djuanda's counsel and stopped the move towards foreign adventures in 1963. In any case, Sukarno took up the reins of power. In the meantime, Nasution vied for greater control and authority for his Ministry of Defence and thought that it would be good to imitate the Soviet system. He had collected papers

50 Soerjadi, 'Sistim Ekonomi Terpimpin', 19–23.

51 By the end of the Guided Democracy, institutions under the presidential office would number 132, including sixty-eight departmental committees.

52 Nasution, *Memenuhi Panggilan Tugas*, Jilid v, 26; Penders and Sundhaussen, *Abdul Haris Nasution*, 140.

53 Anwar, *Sukarno, Tentara, PKI*, 123–7 and 128–30.

54 Awaloeddin Djamin (ed.), *Pahlawan Nasional. Ir. H. Djuanda. Negarawan, Administrator dan Teknokrat Utama* (Jakarta: Kompas, 2001), xii-xvii.

on Soviet defence integration and given them to Djuanda's Committee of Six (Komite Enam).[55] Instead, the result of the reorganization was greater control for the president through the KOTI, eliminating the authority of the Ministry of Defence. Sukarno also placed the intelligence agency (Badan Pusat Intelijen, BPI) within his office, under the authority of Soebandrio's Ministry of Foreign Affairs.[56]

The centralization of power under the presidential office led to a restructuring of national planning that opened the door for greater expert participation. This included continued involvement from foreign experts. Even during the reign of the Depernas, experts had been consulted regarding the creation of the Eight-Year Plan. In April 1960, in line with the government's request for technical assistance, the Americans had provided the expertise of the private economic consultants Bernard Bell and Oscar A. Ornati.[57] A contingent of experts, including economists, tried to help with the plan's development by offering opinions to the members. For instance, in the case of agriculture, the Depernas relied on the reports of the FEUI's Research Institute for the Economy and Society (Lembaga Penjelidikan Ekonomi dan Masjarakat).[58] From early 1960 to 1964, the Indonesian government took on board the recommendations of the American consultancy company Griffenhagen–Kroeger, Inc. on the reorganization of the budgetary system; these followed on from the reports made by Karakachev, Kirkor, and other Indonesian experts.[59] As part of the retooling, budgetary responsibility was moved from the Ministry of Finance to the presidential office, where it was placed under the authority of Prime Minister Djuanda. A major reason for placing it under the prime minister's authority was the concentration of experts at the Finek. This allowed effective fiscal control to be in the hands of the prime minister. The report from Griffenhagen–Kroeger concluded that the placement of the budget office under the authority of the prime minister would enable greater cooperation among the various government agencies and the executive in the presidential office.[60]

The period 1962–1965 saw even greater expansion of executive authority through the establishment of various new state bodies. Sukarno was also able

55 Nasution, *Memenuhi Panggilan Tugas*, Jilid V, 218–21.
56 Nasution, *Memenuhi Panggilan Tugas*, Jilid V, 218–21.
57 Pauker, 'Indonesia's Eight-Year Development Plan', 116.
58 *Rantjangan Dasar UU Pembangunan Nasional-Semesta Berentjana Delapan Tahun: 1961–1969. Bidang Mental/Ruhani dan Penelitian*, Buku ke III, Djilid VI: *Pola Pendjelasan Bidang Pendidikan Tenaga Pembangunan* (Jakarta: Dewan Perentjanaan Negara, 1960), 1689.
59 Tjokroamidjojo, 'Perkembangan Ilmu Administrasi Negara di Indonesia', 38.
60 *A Modern Budget System for Indonesia.* Part A: *Budget Organization* (Jakarta: n.a., 1963), 1–5.

to take over the running of institutions that Nasution had created during his position as head of the army. By 1965, various bodies and institutions reported directly to the president. As head of state, he commanded seven institutions, including the State Secretariat and the cabinet. As the Great Leader of the Revolution (Pemimpin Besar Revolusi) he headed thirteen bodies.[61] As the mandate holder of Parliament (Mandataris MPRS) he headed another twenty-three agencies.[62] Other state bodies directly under the authority of the president included the State Administrative Academy, the Central Statistical Board, the Office of Government Employees, and the Intelligence Office. Semi-private government bodies such as the Bamunas and the Indonesian Science Council (Madjelis Ilmu Pengetahuan Indonesia, MIPI) also reported to the president, as did international organizations headquartered in Indonesia such as the Ganefo (Games of the New Emerging Forces) Secretariat. Lastly, the president chaired sixty-eight bodies and inter-departmental committees, including the Economic and Development Council (Dewan Ekonomi Pembangunan, DEP) and the Council for Economy and Finance (Badan Ekonomi dan Keuangan, BEK). In total, there were around 132 higher executive bodies by the end of the Guided Democracy.[63]

5 The Rise of a New Generation

The creation of the Indonesian Science Council (MIPI) in 1956 provided a sanctuary for experts from the hostile political environment of the day. Research was alleged to be important to the Depernas, at least within its official publications,[64] but it was not until 1962 that the government created the Department for National Research Affairs (Departemen Urusan Research Nasional), whose duty was 'to coordinate, stimulate and conduct research for the purpose of

61 Including the Front National, the Kotrar, the KOTARI (Komando Operasi Berdikasi), the KOGAM (Komando Ganjang Malaysia), the Kopedasan (Komando Pembangunan Daerah2 Perbatasan), the Lembaga Pembina Kesatuan Bangsa, the Komite Nasional Ganefo, the Lemhanas, et cetera.

62 Including the Conefo, the Committee for National Monuments and Istiqlal Mosque, the national television corporation, and the Jagorawi Highway Authority, among others.

63 Bintoro Tjokramidjojo, 'Masaalah jang Perlu Dipikirkan tentang Herordening Aparatur Negara Ditingkat Pusat', in Bintoro Tjokroamidjojo, *Tulisan-tulisan Administrasi Pembangunan, 1966–1968* (Jakarta: Bappenas, 1971), 1–17.

64 M. Makagiansar and Widjojo Nitisastro (eds), *Research di Indonesia, 1945–1965*, Vol. IV: *Bidang Sosial, Ekonomi dan Kebudajaan* (Jakarta: Departemen Urusan Research Nasional, 1965), 13.

national development'.[65] The institutional environment for researchers and experts thus expanded significantly. As well as the Leknas and universities, other large economic organizations, such as the Bank of Indonesia, Bank Negara Indonesia, and the general management boards, also began to conduct their own research.[66]

The university was another important institution that expanded the influence of the expert. Higher education received significant attention from both Depernas's Eight-Year Plan and the government in general. The plan required the establishment of a Higher Education Ministry (Kementerian Pendidikan Tinggi) that was separate from the more general Ministry of Education and Culture, and this was achieved in 1961. The creation of the Department of Higher Education and Science in April 1961 and the regulation on universities aimed to integrate the universities into the development and revolution of the Guided Democracy. The universities formulated an ethical oath called the Tri Dharma, or three purposes (of higher education), whose third purpose specifically endorsed the role of higher education in societal development. This was interpreted as meaning that there would be greater state intervention, especially in such matters as the curriculum. A Conference of Similar Faculties (Pertemuan Antar Fakultas) took place, at which twelve types of faculties that taught across the country came together, resulting in the formation of the Expert Committee of Similar Faculties. This committee helped the department to evaluate the results of the conference in order to streamline the curricula of faculties throughout the nation.[67]

The government was committed to the formation of a higher-education institute for each province and the strengthening of the science and technology sector in the quest to industrialize.[68] In 1962, a series of inter-university and inter-faculty meetings was conducted in order to discuss the creation of a uniform national curriculum and standardized teaching methods. The Expert Committee on Uniform Faculties, which met from 20 to 22 December 1963,

65 Makagiansar and Nitisastro (eds), *Research di Indonesia*, 14. 'untuk mengkoordinir, menstimulir dan mengadakan research untuk kepentingan dan pembangunan Negara, baik dibidang ilmu-ilmu pengetahuan semesta alam, maupun dibidang ilmu-ilmu pengetahuan social dan kemanusiaan dengan memberikan prioritas kepada research dibidang produksi.'

66 Mohammad Sadli, '20 Tahun Perkembangan Ilmu Ekonomi di Indonesia', in Makagiansar and Nitisastro (eds), *Research di Indonesia, 1945–1965*, Vol. IV: *Bidang Sosial, Ekonomi dan Kebudajaan* (Jakarta: Departemen Urusan Research Nasional, 1965), 188.

67 Barli Halim, 'Ilmu Ekonomi Perusahaan', in Makagiansar and Nitisastro (eds), *Research di Indonesia,* 220–2.

68 Neff, *Educational Planning in a National Development Context*, 180.

created a Ministry Ruling Concept for the curricula for all science faculties, which was to be confirmed in a government regulation at a later date. Many facets of the student's university learning experience were regulated by government decisions: the number of hours per semester, the percentage of time devoted to laboratory work (*praktikum*), the number of classes per semester, and so forth.[69]

The designation of feeder universities, whose duty was to provide teaching staff or training for faculty members of other universities, aimed to ensure uniformity. All feeder faculties were at either the University of Indonesia or Gadjah Mada University.[70] All feeder faculties had affiliations with American universities. What is significant here is the fact that these American affiliations continued into the Guided Democracy period. The continuing elitist nature of this development was illustrated by a survey of Gadjah Mada University students in 1960, which showed that 84 per cent of students came from urban high schools and 60 per cent from just three major cities.[71]

In November 1962, an Inter-Economic Faculties Conference (Konperensi Antar Fakultas Ekonomi) was held to develop the economics curriculum with regard to Indonesian socialism. In order to determine exactly what counted as part of Indonesian socialist economics, especially in relation to the content of the curriculum, a series of conferences was held. The Third Congress of the Indonesian Economic Scholars Community (Ikatan Sardjana Ekonomi Indonesia) took place at Cipayung in December 1960, followed by the First Seminar on Agricultural Marketing in Bogor in December 1962, the Second MIPI Congress in Jakarta in October 1962, and the Grand Congress (Musjawarah Besar) of Economic Scholars and Experts in Jakarta in April 1964.[72] There was an effort to introduce new economics literature from socialist countries; for instance, books written by Polish planning specialist Oscar Lange or socialist economists from the West, such as Paul Baran.

This literature formed the core of the new, 'Indonesianized' economics curriculum, and taxes on academic books were waived. There was thus an effort to develop an Indonesian science as opposed to merely importing American and

69 Rifai, *Perkembangan Perguruan Tinggi*, 64.

70 The Faculty of Medicine, University of Indonesia; the Institute of Agriculture Bogor, the Institute of Technology Bandung, and the Faculty of Agriculture and Forestry, Gadjah Mada University; the Faculty of Social and Political Science, Gadjah Mada University; the Faculty of Law, Gadjah Mada University; and, lastly, the Faculty of Economics, University of Indonesia. Rifai, *Perkembangan Perguruan Tinggi*, 68.

71 Joseph Fischer, 'Indonesia', in James S. Coleman, *Education and Political Development* (Princeton: Princeton University Press, 1965), 95.

72 Halim, 'Ilmu Ekonomi Perusahaan', 221.

socialist books and ideas. This underscored both the increasingly pervasive nature of state intervention and the support that existed for the development of Indonesianized economics and other social sciences.

In 1960, MIPI had decided to expand its research through the creation of seven research institutes, among them the National Economic and Social Research Institute (Lembaga Ekonomi dan Sosial Nasional, Leknas). In March 1962, MIPI appointed an advisory committee headed by law expert Soediman Kartohadiprodjo, and composed of anthropologist Koentjaraningrat, economist Mohammad Sadli, sociologist Selo Soemardjan, international-politics and law expert M. Makagiansar, and agricultural specialist Kampto Utomo in order to establish Leknas.[73] In March 1963, the Leknas was created. Immediately, the Ford Foundation provided Harvard advisers for the Leknas.[74] Another important research organization, directly under the authority of the Faculty of Economics of UI, was the Economic and Social Research Institute. Prior to the formation of the Leknas, this institute played a greater role in economic research. The planning authorities were thus exposed to the ideas of both foreign and Indonesian economists. For instance, in October 1964, foreign experts from ECAFE in Bangkok were invited to teach at an advancement course in the field of planning engineering and methods.[75]

As older, Dutch-trained experts left their positions, were made redundant, or died, the field opened up to greater participation by American-trained experts. Older economists or managers, such as Sumitro Djojohadikusumo, Mohammad Hatta, Sjafruddin Prawiranegara, and Jusuf Wibisono, had, by now, been effectively sidelined. Some, like Djuanda Kartawidjaja and Muhammad Yamin, passed away in the early 1960s.[76] The communists' attack on Western-trained experts and followers of Sumitro delineated the significant position these economists had held within the government. They had initially sought political protection from Prime Minister Djuanda and elites including Mohammad Hatta and Sjahrir.[77] Later on, their position became more entrenched within the bureaucracy. In Mohammad Sadli's words:

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73 Sadarjoen Siswomartojo, *A Tentative Statement about the Set-Up, Nature and Purpose of the National Institute for Economic and Social Research of the Council for Sciences of Indonesi*a (Jakarta: Leknas, 1963), 4.

74 Joseph J. Stern, 'Indonesia–Harvard University: Lessons from a Long-Term Technical Assistance Project', *Bulletin of Indonesian Economic Studies*, 36/3 (December 2000), 113–25.

75 Suharto, 'Pidato Penutup', in *Hasil Konferensi Kerjda Bappenas/Baperdep–Bakopda* (Jakarta: Bappenas, 1964), 147.

76 Djuanda died in November 1963 and Muhammad Yamin in October 1962.

77 Herbert Feith, *Soekarno-Militer dalam Demokrasi Terpimpin* (Jakarta: Pustaka Sinar Harapan: 1995), 103.

> Because most economics graduates were still relatively young, by 1963 some of them had reached strategic, influential, or honourable positions, for instance, as aides to ministers, heads of directorates or offices, presidential directors or members of corporate organizations, heads of mass organizations or private organizations, or as professors, deans, or vice rectors at universities. The elevation of economists to the position of ministers or university rectors only became a phenomenon in 1964 and 1965. In general, these latter years began to see the start of the rise of economists to higher levels in society and the bureaucracy.[78]

Even so, competent experts and technocrats were 'dispersed throughout several departments and isolated from any central point of authority'.[79]

The rise of this technically competent generation was, according to Feith, significant in understanding the continued promotion of revolution by the older generation. 'If the government were to speak less and less of the need for revolution and instead to declare economic development as the principle challenge of the present period', the top political leaders and heads of government enterprises 'would soon have their positions contested in the name of the government's ideology by others who could claim greater technical competence'.[80] The contenders for these posts were either old administrators who had lost their jobs or up-and-coming university graduates with their formal education and bitter experience of having their career paths blocked by the current elite.[81] In turn, the communists attacked the economists by using revolutionary rhetoric. According to Aidit, these experts were not showing their true colours but were secretly undermining the revolution: 'These cynics apparently obtain their energy and inspiration from the poisonous materials in the bulletins and periodical pamphlets spread by Sumitro and his agents within government offices and other parts of our government and economic

78 Sadli, '20 Tahun Perkembangan Ilmu Ekonomi di Indonesia', 184. 'oleh karena kebanjakan sardjana ekonomi relatip masih muda maka baru sedjak tahun 1963 beberapa diantara mereka mulai menduduki fungsi2 jang strategis, berpengaruh atau jang terhormat, seperti misalnja pembantu2 menteri, kepala2 direktorat atau djawatan, presiden direktur atau anggauta direksi perusahaan besar, anggauta pimpinan ormas2, organisasi swasta, guru besar, dekan dan pembantu2 rektor universitas. Dipegangnja beberapa kedudukan menteri dan rector universitas oleh sardjana ekonomi baru mendjadi gedjala tahun 1964 dan 1965. Pada umumnja, tahun2 jang achir ini baru menundjukkan permulaan dari muntjulnja kaum sardjana ekonomi ditingkat2 atas masjarakat dan birokrasi.'

79 USAID, *Human Resource Development*, 13.

80 Quoted in Mackie, *Problems of Indonesian Inflation*, 52.

81 Feith, *Sukarno-Militer dalam Demokrasi Terpimpin*, 102–3.

apparatuses.'[82] The absence of communists within this structure was a significant factor. The party had its own educational system based on the People's University (Universitas Rakjat) and the Ali Archam institute, but 'the paucity of Marxist knowledge and of the scholarly output of its leaders'[83] further marginalized their position as outsiders regarding this institutional development.

The most serious attack on the entrenched position of the 'Sumitro followers' occurred in 1961, when Sukarno appointed Iwa Kusumasumantri, a radical nationalist with close ties to the Murba and the PKI, as minister of higher education and science (Menteri Pendidikan Tinggi dan Ilmu Pengetahuan, PTIP). Previously, higher education had been under the authority of the Ministry of Education and Culture, which assumed responsibility for all education in the country. It was headed by Minister Prijono, a Murba member who had received the Soviet peace prize.[84] Iwa Kusumasumantri made several important changes to the curriculum and textbooks, especially in the field of the social sciences. His approval was necessary for students wishing to study abroad, which resulted in the end of Indonesian students being sent to the United States to study, and he asked students to report on signs of the teaching of liberalism in the universities.[85] His high-handed dealings with faculties and members and his effort to introduce political goals created many enemies, both within and without the universities. In the cabinet reorganization of March 1962, Tojib Hadiwidjaja, a non-party, army-approved candidate, replaced him, which signalled the beginning of the long-term army control of the universities and campuses in much of twentieth-century Indonesia. As was the case with the creation of technocrats or army specialists, the left was never able to gain control of higher education.[86]

Research organizations such as the Leknas were institutionally connected with the leading universities, in particular the University of Indonesia. The

82 D. N. Aidit, *Dekon dalam Udjian* (Jakarta: Jajasan Pembaruan, 1963), 7. 'Kaum sinis ini ternjata pula mendapat angin dan inspirasi dari bahan-bahan ratjun berbentuk buletin-buletin atau stensilan-stensilan periodic jang pada saat ini diedarkan oleh pengchianat Sumitro dan agen-agennja dikalangan-kalangan pegawai perusahaan-perusahaan negara, kantor-kantor pemerintahan dan lain-lain bagian daripada aparatur pemerintahan dan ekonomi negeri kita.'

83 M. A. Jaspan, *Aspects of Indonesian Political Sociology in the Late Sukarno Era* (Nedlands: Centre for Asian Studies, 1967), 20–1.

84 Bresnan, *At Home Abroad*, 42.

85 Feith, *Sukarno-Militer dalam Demokrasi Terpimpin*, 84.

86 For more on the army–communist struggle over higher education, see Thomas R. Murray, 'Indonesian Education: Communist Strategies (1950–1965) and Government Counter-Strategies (1966–1980)', *Asian Survey*, 21/3 (March 1981), 369–92. Also Suwignyo, 'The Breach in the Dike', 399–406.

Leknas was not able to send its staff to the United States until 1963 and so had to rely on graduates from the FEUI for much of its research. A look at the activities of the Leknas in 1963 gives a glimpse of the kind of community and relations in existence in the middle of the Guided Democracy period. The Leknas did not have a ready expert staff of its own in its early years. In fact, its managing committee consisted of some of Indonesia's newest and brightest social scientists, fresh from postgraduate education in the United States; these included the economists Widjojo Nitisastro and Sarbini Sumawinata, the anthropologist Koentjaraningrat, and the sociologist Selo Soemardjan. They represented the 'Indonesian godfathers' of their respective sciences. The Leknas also employed consultants such as economists Mohammad Sadli, Everett Hawkins, and Kurt Martin, among others, and counterpart consultants including Ali Wardhana and Harun Zain. In June 1963, the Leknas signed a consultancy agreement with the Harvard Development Advisory Service.

The Leknas began sending its employees abroad to pursue postgraduate studies in the same year. Thee Kian Wie, Julian Luthan, and Lukman Siahaan were sent to study for master's degrees in economics at Wisconsin and Indiana Universities; T. S. S. Sutanto studied administration science at Pittsburgh; Tan Giok Lan and Harsja Bachtiar studied sociology at the University of California, Berkeley and Harvard, respectively; and D. M. Wattimena studied social psychology, also at the University of California, Berkeley. From October 1963, a regular weekly seminar was held at the Leknas, which was also attended by representatives from the Indonesian Science Council and the Department of National Research. Initially, the senior researchers, consultants, and counterpart consultants would give talks on actual and theoretical issues. The junior researchers would later contribute to the talks as well. The first workshop, held in April 1963, was on the issue of taxation and led by Sarbini Sumawinata. A second seminar, on the issue of managerial deconcentration in government-owned enterprises, was led by Mohammad Sadli in July 1963. Both these themes supported the Dekon programme that had been announced in March of the same year. In September 1963, Kurt Martin led a seminar titled 'Inflation and Economic Growth'.

The relationship with Universitas Indonesia was certainly intimate, but the Leknas also reached out to other institutions. Everett Hawkins and Harun Zain conducted discussions and concluded agreements with Universitas Gadjah Mada and Universitas Padjadjaran, as well as cooperating with government departments, including the Department of Basic Industry and Mining (Departemen Industri Dasar dan Pertambangan). Many of the foreign relationships were with American or UN institutions, such as the Harvard Development Advisory Service, the Center for Research on Economic Development at Michigan

University, UNESCO's Research Centre on Social and Economic Development in Southern Asia in New Delhi, and the Economic Commission for Asia and the Far East in Bangkok. However, in accordance with the shift in emphasis of the curriculum to better reflect Indonesia's socialist economy, there also were efforts to contact socialist social scientists, including two Russian economists, to discuss the problems of Indonesian economic growth in August 1963.

6 Bappenas

Efforts to recentralize planning resulted in the formation of the dichotomous Bappenas–Muppenas structure, which was inaugurated in December 1963. The Bappenas was created in December 1963 by a presidential decision that integrated the Depernas with the Bappenas, while at the same time reducing it to a body under the authority of the president, giving him yet further titles as coordinator of the Ministry for the Coordination of Development and day-to-day supervisor of the Ministry for Matters of National Development Planning (Urusan Perentjanaan Pembangunan Nasional, UPPENAS).[87] This reintegration under the executive was reiterated in Sukarno's May 1963 *Ambeg Parama Arta* speech, in which he outlined the country's economic policy (*deklarasi ekonomi*, Dekon), a terminology that, according to Lance Castles,[88] was influenced by management science. Thus, the planning body was downgraded from a high government body to an adjunct of the presidential office, similar to the position of the BPN within the prime minister's office. The cabinet was also reorganized within a New Style Work Cabinet (Kabinet Kerdja Gaja Baru).[89]

In accordance with Presidential Decision No. 12/1963, the body wielded wide-ranging authority:

> For the purpose of perfecting the National Overall Development Plan and the need to create detailed and derivative continuation, and in an effort to strengthen the integration of all government apparatuses, the Depernas in its former form and position has been integrated into the executive government apparatus or body, changing its structure and composition

87 For more on the structure of the Bappenas, see Hamzah Nasution, 'The Organization of the Planning Agency', *Bappenas News Bulletin*, 1/1 (1964), 30–5.

88 Lance Castles, 'Bureaucracy and Society in Indonesia: Paper for Discussion' (n.p.: n.n., n.y.).

89 Sukarno, Amanat PJM Presiden Republik Indonesia pada Sidang Pleno Terachir Depernas', in *Badan Perentjanaan Pembangunan Nasional* (*Bappenas*). *Peraturan-Peraturan* (Jakarta: Bappenas, 1964a), 4–7.

> in accordance with present development needs. After the Depernas completes its duties to create a Development Conception in accordance with our development principles as laid down within the Presidential Development Address in written and oral forms, we then need a more technical Development Planning and Supervision Apparatus to suit the level of growth of our Revolutionary Development. For this reason, the reforms and changes of the Depernas are focused on the creation of the National Development Planning Body or Bappenas, which will perfectly support the Executive Body in executing the planning and supervision of development throughout the country under the leadership of the Prime Minister assisted by a technical Minister. The Staff of the Bappenas will be composed of TECHNicaL EXPERTS in planning and development whose duty is to create detailed plans, in the form of yearly and long-term plans, as the perfect and continued implementation of our Development Conception.[90]

If the Depernas was the political organization that created the concept of national planning, the Bappenas–Muppenas acknowledged expert participation within the Bappenas, while giving a voice to political and social organizations. 'Our development planning apparatus has recently made significant strides. This is the culmination of historical development and experience over the last ten years, from the BPN to the Depernas and now to the Bappenas.'[91] The realization of the need for a good apparatus was apparent in many of the reports of the Muppenas/Bappenas. 'We know with clarity that our economic difficulties cannot be handled purely through formulating economic plans. As the gist of the recent Presidential political address (*Amanat Politik*) noted, however well formulated an economic plan is, its success is determined by the conditions of its apparatus.'[92]

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90 Quoted in Soerjadi, 'Sistim Ekonomi Terpimpin', speech given at the HSI Economic Seminar, 20 July 1963, 31–2. ANRI, Roeslan Abdulgani, inv. no. 1082. Capitalization according to the original.

91 Soeharto, 'Pidato Pembukaan oleh J. M. Menko Urusan Perentjanaan Pembangunan Nasional', in *Hasil Konferensi Kerjda Bappenas/Baperdep–Bakopda* (Jakarta: Bappenas, 1964), 3. 'Aparatur perentjanaan pembangunan kita telah mengalami kemadjuan jang pesat pada waktu achir2 ini. Hal ini adalah hasil perkembangan sedjarah dan pengalaman dalam pembangunan selama 10 tahun, dari Biro Perantjang Negara ke Depernas dan kini ke Bappenas.'

92 *Kesimpulan-kesimpulan dan Kertas Kedja. Musjawarah Muppenas Ke III*, 6, 'Kita mengetahui dengan djelas bahwa kesulitan2 ekonomi tidak bisa kita atasi hanja dengan perumusan2 tentang rentjana2 pembangunan ekonomi jang baik. Sebab sesuai dengan tjanang

Although at the time the Bappenas was not fully under the control of the technocrats, as it was latterly in its role as the technocratic body par excellence for the New Order state, it assisted the rise of these new technocratic elites into various policymaking and expert-producing positions and represented an iconic change that signified the possible transition to a technocracy. The duties of the Bappenas included not only the creation of a national plan but also its supervision and implementation. There is no doubt that the Bappenas opened the doors to greater technocratic participation, as evidenced by the content of Sukarno's speech: 'The staff of the National Development Planning Board will be composed of technical experts in planning and development, whose duty is to write up detailed plans, on an annual and long-term basis…'[93]

Three lessons had been learned from the failure of the Depernas. First, the lack of reliable data on the economy underscored the need to have credible research centres focused on collecting economic data, specifically statistical data concerning population growth, gross domestic product, and the domestic capital available for investment.[94] Second, the failure spelt out the need to put the available expertise to better use. Third, it highlighted the failure of corporatist planning and stressed the need to 'recentralize' economic policymaking within a highly competent environment. The lack of oversight and implementation was also a major problem, which the Bappenas–Baperdep–Bakopda[95] structure was intended to solve.[96] The number of economic research bodies was expanded during the late Guided Democracy period. One of the most pertinent was the Central Statistical Board (BPS), a former colonial body, which, by the mid-1950s, lacked the capability to generate economic data, including the national income index. Since 1955, the economist Sarbini Sumawinata, who had been trained by Nathan Keyfitz, had headed the BPS.[97] However, despite this deficiency, economic research on Indonesia was forthcoming through the

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P. J. M. Presiden dalam Amanat Politik beliau jang baru lalu maka bagaimanapun baiknja suatu rentjana ekonomi pelaksanaannja tergantung pada keadaan aparatur.'

93 Sukarno, *Ambeg Parama Arta*, 30. 'Staf Badan Perentjanaan Pembangunan Nasional itu akan terdiri atas AHLI-AHLI TEHNIS perentjanaan dan pembangunan, jang bertugas membuat rentjana-rentjana terperintji, baik rentjana-tahunan maupun rentjana-djangka-pandjang, sebagai penjempurnaan dan pelaksanaan lebih landjut daripada Konsepsi Pembangunan kita.'

94 Slamet, 'Uraian Mengenai Pembiajaan Pembangunan Nasional', 97.

95 Baperda stands for Badan Perantjang Departemen, or Body for Departmental Planning; Bakopda means Badan Koordinasi Pembangunan Daerah, or Body for Regional Planning Coordination.

96 *Hasil Konferensi Bappenas–Baperdep*, 19–20.

97 Webster, *Fire and the Full Moon*, 88; Sumawinata, 'Recollections of My Career', 45–8. Progress was slow, but the first post-colonial population census was published in 1960.

FEUI. Moreover, steady cooperation with American universities and support from the Ford Foundation was allowing more Indonesians to study at US universities.

The main thrust of the Bappenas plan was to integrate the regions and the centre within one organizational authority. This was made possible in the early 1960s as the regional rebellions had been suppressed.[98] By 1962, Sumatra was back under the control of the central government. The rehabilitation process became part of the discussion on the application of socialist models for institutionalized development. For instance, surveys of the various planning agencies in communist countries were made by Panglaykim and Hazil.[99] Special interest was shown in the Soviet Planning model that had been introduced by Premier Khrushchev in the USSR's sixth Five-Year Plan (1956–1960) because of its decentralized and regional character. The Soviet's central-regional or Gosplan-Sovnarkhoze planning caught the fancy of the Indonesian government. The Gosplan or the Soviet state planning commission was quite similar in structure to the Depernas/Bappenas, while the 107 Sovnarkhozies were regional economic councils that had been introduced in the sixth Five-Year Plan as part of Khrushchev's decentralization plan. Khrushchev had called for a comprehensive plan that focused on creating greater efficiency and managerial leadership in order to give the republics, the ministries, and the administrators of productive enterprises greater responsibility.

Ideas regarding the development of a central-regional planning body that could function independently and serve to fine-tune the planning process were increasingly accepted. Earlier plans for regional planning bodies had been seen as contradicting the corporatist format that organized everyone within a unified and centralized body. It was argued that the regions were given plenty of representation within the Depernas and so regional planning bodies were not deemed necessary: 'The government is of the opinion that there are already enough members sitting in the National Planning Council in the capital of Jakarta who are able to bring forward the development problems of first level regions of local autonomy.'[100] It is possible that the government was now more assured of the docility of the regions after Jakarta's successful clampdown, and was thus more willing to provide the regions with institutions that had previously been seen as increasing the degree of independence from the centre.

98 Pauker, *The Indonesian Doctrine of Territorial Warfare*, vi.

99 Panglaykim and Hazil, *Struktur Management dan Organisasi*.

100 J. E. Ismael, 'Some Institutional Aspects in National and Regional Development', *Ekonomi dan Keuangan Indonesia*, 16/4 (October/November/December 1963), 25.

An Economic and Social Research Institute survey conducted between October 1961 and February 1962 affirmed major problems of coordination. J. E. Ismael wrote, '[F]or instance, the Public Works and Power Service of some regions does not know whether the road repairs executed are part of the routine plan of their department or whether they are now included as one of the projects of the Plan. Thus, it becomes obvious that there is no coordination and communication both between the Departments and Local Governments and between the Departments at the Centre and the Services in the region.'[101] He implied that few of the coordination issues that had haunted the 1950s had ever been resolved. It was within this spirit of creating true coordination that the need for a regional approach was seen as essential. What was envisaged was an integrated regional development plan, as a more perfect alternative to the national overall development plan. Its implementation was to realize the old dream of integrating Indonesia's central and regional governments into one organization for the purpose of development.

7 Structure and Organization

The Bappenas was controlled by a secretariat composed of deputies (*wakil menteri*) from the Ministries of General Affairs (Urusan Umum), Planning (Urusan Perentjanaan), and Evaluation (Urusan Penilaian). At a lower level, eight bureaux were assigned to plan, supervise, and evaluate projects in their respective fields.[102] These bureaux had functions that were similar to those of both the BPN and the Finek. The reports of the bureaux would then be used by the president as progress reports for Parliament (Majelis Permusjawaratan Rakjat Sementara, MPRS). As well as the Bappenas, there were also six permanent committees (*komisi tetap*) on rules and regulations,[103] statistics,[104] development surveillance and evaluation,[105] natural resources,[106] development

101 Ismael, 'Some Institutional Aspects', 25.

102 The bureaux were: management of the revolutionary soul, finance, development, distribution, domestic and legal affairs, defence and security, welfare, and international organizations and relations.

103 Peraturan Presiden Republik Indonesia No. 6 tahun 1964 tentang Panitia Negara Bappenas Urusan Tatatjara dan Peraturan.

104 Peraturan Presiden Republik Indonesia No. 7 tahun 1964 tentang Panitia Negara Bappenas Urusan Statistik.

105 Peraturan Presiden Republik Indonesia No. 8 tahun 1964 tentang Pengawasan dan Penilaian Pembangunan.

106 Peraturan Presiden Republik Indonesia No. 9 tahun 1964 tentang Panitia Negara Bappenas Urusan Sumber-sumber Alam.

funding,[107] manpower planning,[108] and standardization and normalization.[109] These committees were composed of experts from within and without the Bappenas and from the government and private sectors. They provided memoranda, consultation, and ideas to the UPPENAS, which oversaw the Bappenas. The last organization was the Muppenas, run by the deputy head of the Bappenas and head (*pimpinan harian*) of the Bappenas. It was composed of members of the Parliamentary Leadership Board (Badan Pembantu Pimpinan, MPRS) and provincial governors. The Muppenas was an advisory body, meant to provide advice and ideas for planning and development. What was thus envisaged was that the Bappenas would be an executive body with expertise committees forming permanent committees, with parliamentary and regional oversight provided by the Muppenas. This represented the central planning structure of the Republic. This central body had links with both regional and departmental planning.[110]

The planning process of the Bappenas was to be as follows: it would design a development policy, which would then be given a hearing by the Muppenas. After consulting the Muppenas, the plan would then be proposed to the president. The formulation of the plan required the help of two organizations: the Baperdep and Bamunas. The Baperdep would collect ideas and proposals from various departments and, through their respective ministers, convey them to the Bappenas. The Bamunas would conduct a similar process in the private sector. With regard to budgetary matters, a team comprising the Indonesian Development Bank (Bank Pembangunan Indonesia, Bapindo), the Department of Budgetary Affairs (Departemen P3 Urusan Anggaran), and the Bank of Indonesia would provide assistance with creating the budget. The Bappenas and the Bapindo would then be assigned to oversee budget implementation. The Bappenas would also evaluate the implementation of projects and write a development overview (*ichtisar pelaksanaan pembangunan*). The Baperdep and the Bakopda were obligated to provide their annual plans to the Bappenas. In order to create a better working environment and coordination, various conferences were held between the Bappenas and the other bodies in order

107 Peraturan Presiden Republik Indonesia No. 10 tahun 1964 tentang Panitia Negara Bappenas Urusan Sumber-sumber Pembiajaan.

108 Peraturan Presiden Republik Indonesia No. 11 tahun 1964 tentang Panitia Negara Bappenas Urusan Perentjanaan Tenaga Pembangunan.

109 Peraturan Presiden Republik Indonesia No. 12 tahun 1964 tentang Panitia Negara Bappenas Urusan Standardisasi dan Normalisasi.

110 *Hasil Konferensi Kerdja Bappenas–Baperdep*, 21–3.

to synchronize their views.[111] The Bappenas also laid on planning courses, for instance, in November 1964, in collaboration with the Asian Institute for Economic Development Planning.[112]

8 Conclusion

The implementation of national planning was initially predicated on the naïve and optimistic view that 'non-experts' could design and implement national plans. The failure of this intention and the economic deterioration resulted in a significant revamping of the executive in 1962. At the same time, newly trained experts began to pour into Indonesia, especially from American higher education. Their influence in various departments and higher learning/research institutes began to be significant by 1963. The reforms initiated by Sukarno expanded the executive. The failure of the Depernas resulted in calls for the greater participation of the new generation of experts. Thus, on a national planning and bureaucratic level, there was a process of technocratic development. As we will see in Chapter 6, the rise of this new generation would be contested by the communists, who were also growing in power. The creation of the Bappenas was a significant development, for this body would play an important role during the New Order. There are obvious differences between the body established under the Guided Democracy and the one that existed during the New Order, which by then had become highly technocratic, but the structural shift that created this body represented an important institutional development that laid one of the foundations for the rise of the technocracy.

In the early 1960s, efforts were made to use the social sciences, especially scientific management, to understand the problems of the Indonesian bureaucracy and to implement measures to create more efficient managers and bureaucrats. These measures were implemented on what I have termed the 'micro level', as opposed to the 'macro level', of national planning. The expansion of management education and the implementation of retooling and indoctrination courses constituted significant attempts to deal with the problems at the micro level. The next chapter will investigate this process and examine the extent to which the effort to implement knowledge of the social sciences affected the bureaucracy.

111 For instance, the Bappenas/Baperdep–Bakopda work conference held in September 1964. *Hasil Konferensi Kerdja Bappenas/Baperdep–Bakopda Tanggal 22 s/d 24 September 1964* (Jakarta: Bappenas, 1964b).

112 *Hasil Konferensi Kerdja Bappenas–Baperdep*, 25.

CHAPTER 6

The Managers of Social Engineering

Abstract

This chapter discusses the implementation of scientific management theories in the context of the Guided Democracy's revolutionary effort to remake the Indonesian person. Studies into the administrative problems in the early 1950s has pointed out the cultural problem of administration. Classes on such themes as leadership strengthened the idea of a cultural pathology rooted in feudal Indonesian culture. Instead, an idealized image of the village with its corporatist values of *gotong royong* became one of the mainstay in the discussion of Indonesian administration. This would translate in the creation of a series of institution meant to discipline the civil service and wider population. Indoctrination courses, surveillance and retooling were the means to which the behavioral problem of the Indonesian man could be rationalized so as to support development. The support for this behavioral indoctrination came from both scientific management and Indonesian ideas of traditional corporatism. The concept of discipline was bifurcated within the divide between the experts and the rest. Thus, Indonesian behavioral discipline was often a form of re-traditionalization allowing for the expert to take on the authority of tradition. This again highlights the ease with which scientific management was reincarnated to support an Indonesian corporative order that was illiberal and undemocratic.

Keywords

cultural pathology – traditional corporatism – managerial indoctrination – re-traditionalization

This chapter discusses both the implementation of scientific management and the efforts of the government to instil discipline in its civil service with the stated aim of eradicating corruption. The policymakers at the national level assumed that the problem of corruption was the Indonesian Man himself because he was, in their eyes, incapable, inefficient, and corrupt. Thus, the best way to deal with this was through guided corporatism, which required the restructuring of society within the lines of state authority. To allow greater freedom at the local, decentralized level would be to acknowledge the relevance

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of liberalism. Instead, efforts were made to discipline the bureaucracy through restricting the authority of the regions by implementing the Bappenas–Bakopda–Baperdep planning structure. The focus on control and discipline inevitably involved the military. The expansion of the bureaucratic and business managerial class enabled the military to join the elite.

'Leadership' capabilities, the spatial structure of offices and homes, and the very behaviour of managers were to be designed through time-motion studies and other scientifically managed planning tools. The management would, in turn, impose discipline on the lower levels of productive society. The Training Within Industry (TWI) programme would teach mid-level managers how to control the labour force.[1] Typical of twentieth-century ideas on the state, the Guided Democracy policymakers believed that they could control and discipline Indonesian society through state institutions. Even as this discipline was applied in the 1960s, doubt existed about the success of the exercise. The Guided Democracy state professed that Indonesian society, history, and culture would form the foundation of a new society. Instead, culture was manipulated; people were disciplined by social engineering in an effort to push through a state-centred modernization project. Social science was used both as a mechanism for that process and to provide the tools to enforce changes.

1 The Cultural Pathology of the Indonesian Manager

National planning would supposedly dispense with the problem of weak government coordination. Yet, that only represented half of the issue. The other half had to address how to efficiently and effectively reform the civil service. The 1950s' bureaucracy was largely assumed to be bifurcated, with a small but effective centre where the experts congregated, and a large and inefficient, but politically active, periphery. The creation of an efficient periphery was a daunting task, but the aim was to at least expand expertise into a larger portion of the government. Yet, management was not confined to the creation of effective bureaucrats but also embraced the training of effective managers for both state-owned and private companies. The implementation of modern scientific management must be seen as occurring alongside the implementation of the ideals of Guided Democracy. Like the failed corporatist national-planning project of the Depernas, the introduction of scientific management came from the idea of creating a new and modern Indonesian person. The roots of

1 ANRI, Mohammad Bondan, inv. nos. 692, 734, 735, and 736.

these efforts were firmly planted in the disappointing failure of the Indonesian character during the previous laissez-faire period. This was largely related to the 'crisis of leadership' and culture that had pervaded the parliamentary-democracy period.[2] Writing in 1955, Soedjatmoko said of the Indonesian inability for development:

> The crisis in which we find ourselves is clearly a crisis of leadership [...] Herein lies the failure of the old leadership which has guided us to the gateway of independence but is unable to disengage from the viewpoint which brought the first phase to a successful end and cannot adjust itself to the demands of the second.[3]

Soedjatmoko titled his article in *De Nieuwe Stem* 'The crisis in the Indonesian culture'. The profound doubt in the capability of the Indonesian to modernize was long-standing amongst the colonialists. The idea of a plural society was predicated on a perspective that saw a deep chasm between traditional Indonesian society and modern Western society. This can be seen, for instance, in Boeke's theory of dualism, which stressed that Indonesian traditional cultural characteristics were not compatible with the rational maximization drive of the West.[4] This idea was strengthened in the 1950s, when Indonesian labour productivity was said to be among the lowest in the world.[5]

The Guided Democracy's policy towards this cultural impediment was to home in on what it considered the underlying problem: the authority of the civil service. The inability of Indonesian managers to give orders to subordinates was a puzzling aspect that had been noted by many Western experts. Donald Fagg contended that the Javanese notion of authority required the creation of a useful fiction of unanimous support. That the manager's authority was weak and the clique structure limited his ability to implement action

2 Closely related to this is the effect of the doctrine of 'revolutionary nationalism' and of Indonesia's pre-colonial culture on the economy. See Justus M. van der Kroef, 'Economic Development in Indonesia: Some Social and Cultural Impediments', *Economic Development and Cultural Change*, 4/2 (January 1956), 116–33.

3 Soedjatmoko, 'De crisis in de Indonesische cultuur', *De Nieuwe Stem*, 10 (1955), 328–9.

4 Boeke, *Economics and Economic Policy*, 10–20 and 209–29. Boeke stressed the differences between the pre-capitalist village economy and the industrial capitalism of the West. He stressed the need to tailor different policies for different economic and population sectors (the dual societies), a position that was anathema to the nationalist notion of the ability of the Indonesian to become modern.

5 Edgar McVoy, 'Some Aspects of Labor and Economic Development in Indonesia', *Ekonomi dan Keuangan Indonesia*, 7 (1954), 804.

was beside the point.[6] That a superior's command could, without much consequence, be disobeyed was an important indication of the crisis of authority, even more so when the superior himself for various reasons was hesitant to use his authority. Theories on the failure of vertical authority in the period mostly link it to the failure of Javanese culture.[7]

The Guided Democracy was revolutionary in character precisely because of its emphasis on recreating the individual. In a mass meeting in Medan in 1962, Sukarno stated: 'Our revolution is a cultural revolution, a historical revolution, a national revolution, a military revolution, yes a revolution "to create a new Indonesian man".'[8] What was significant was the extent to which Guided Democracy as an ideology and scientific management coincided in their views on cultural and behavioural change. Garth N. Jones, one of the experts sent to work with the LAN in the early 1960s, thought that 'innovations and modifications, in a system of public administration, are usually possible only if large numbers of people, inside and outside of government circles, change and adapt important aspects of their whole cultural complex of believing, behaving, acting and doing. Significant development and improvements generally occur only with cultural changes.'[9] Leon Mears termed the process 're-management' to emphasize the 'revolutionary' character of the process that was to build a radically different management structure compared to the one before.[10]

Although practically all expertise in the field of management came from American universities, there was a decided, state-control bias towards the studies and recommendations made for both planning and management. The market and 'competition' stayed out of the equation. Post-war views on the role of the state were an important component. This modernist perspective placed trust in the efficacy of the social sciences and this perspective

6 Donald Fagg, 'Authority and Social Structure. A Study of Javanese Bureaucracy', PhD dissertation, Harvard University, Cambridge, 1959, 565–8.

7 Harry Benda insisted that the roots of Indonesian corruption came from pre-colonial Java; see Harry Benda, 'Decolonization in Indonesia: The Problem of Continuity and Change', *The American Historical Review*, 70/4 (July 1965), 1058–73. This may also partly have been a result of the fact that many of the most distinguished 'Indologists' of the period – Benedict Anderson, Clifford Geertz, et cetera – were anthropologists and thus there was a tendency to look to the cultural roots of the Indonesian problem.

8 R. M. Soeparto, 'Djiwa Pahlawan', *Bulletin Lembaga Administrasi Negara*, 9 (1962).

9 Garth N. Jones, 'Some Critical Areas concerning Assistance in Public Administration for Indonesia', *Bulletin Lembaga Administrasi Negara*, 1 (1961), 3.

10 Mohammad Sadli, 'Masalah Perusahaan Negara di Indonesia. Laporan Symposium pada Latihan Pembangunan Ketatalaksanaan', in *Madjallah Perusahaan Negara*, 2/18 (June 1962), 7.

FIGURE 7 A self-critical cartoon on the culture of Indonesian manager published at a government magazine
SOURCE: *MADJALAH INDUSTRI RAKJAT*, NO. 1 (II) JANUARY 1963, P. 3

was shared by both the capitalist and communist worlds. Thus, the fact that American social scientists conducted much of the research did not reduce the extent of the state's top-down and expert-based control. By the 1960s, the experiences of technical assistance had become a subject of study in their own right. The 'tools of cooperation' were already well institutionalized, allowing for the transfer of knowledge. These 'tools' included general surveys, advisory missions, operating missions, service offices, university contracts, private contracts, visiting professors, seminars, conferences and workshops, training centres, and scholarships for studying and training abroad.[11] Even so, there were calls for the creation of a specifically Indonesian form of management. As Assegaff phrased it: 'It is apparent that our management experts should start researching, unearthing, and looking for a management style that is in line with our Indonesian socialism.'[12]

2 Rationalizing the Manager's Leadership Position

By the late 1950s and early 1960s, American-trained Indonesian social scientists had begun to study Indonesian culture and to analyse the Indonesian's potential as a modern person and a good manager. Anthropologists, sociologists, and political scientists started to study Indonesia's political and social culture in order to understand the weaknesses of the Indonesian man. Koentjaraningrat studied the village concept of *gotong rojong* in the early 1960s.[13] The sociologist Selo Soemardjan studied the changes and development of the civil service in the feudal heartland of Yogyakarta.[14]

Soegito Reksodihardjo, a disciple of management expert Harold Koontz, appraised Indonesia's managerial development by posing the question 'Is the Indonesian fit to become a manager?' He answered in the affirmative, but in order to clinch his argument he had to deal with Boeke's theory of economic dualism. According to Soegito, Boeke's 'dissertation was an attack on the traditional method of dealing with the economic problems of Indonesia, which was still based on the deductive approach and very much influenced by the

11 Philip M. Glick, *The Administration of Technical Assistance: Growth in the Americas* (Chicago: the University of Chicago Press, 1957), 99–100.

12 Assegaff, 'Aspek Management dalam Pembangunan Semesta Berentjana', 275.

13 Koentjaraningrat, *Some Social-Anthropological Observations of Gotongrojong in Two Villages of Central Java* (Ithaca: Cornell University Press, 1961).

14 Selo Soemardjan, *Social Changes in Jogjakarta* (Ithaca: Cornell University Press, 1962).

juridical background of the economic curricula in the universities of that period'.[15] Boeke linked cultural values to economic growth. The Indonesian did not make this link because his social environment produced cultural values with social, not economic, motives. Soegito criticized Boeke's understanding of the economic motive and argued that Indonesian farmers made decisions based on sound, rational principles. This rationality depended on how far the person had climbed up the ladder of modernity:

> With the increase in the general level of education it is to be expected that rationality will gain in importance among the broader stratum of 'the common people'. When such is the case, it will also be less difficult to make them aware of the importance of such terms as 'effectiveness' and 'efficiency', and a 'rational' or 'business-like' attitude can be eventually mastered. As long as the average educational levels are very low, emotional, traditional and/or social views are more dominant, and although not impossible, it nevertheless will require considerably more effort to implement a rational or systematic idea.[16]

By portraying this image of the irrational Indonesian masses as being on a lower rung of the ladder, Reksodihardjo positioned the managerial class securely as the rational leaders. He continued:

> If the economy were left to the masses, the result would probably be that either the subsistence level would persist or that the economy would collapse quickly. First of all, the very low level of education does not permit the people to know much about other needs beside those which are very basic, and with which they are already familiar by tradition. Second, even if they are fully aware of their wants, it is still a question whether or not they can do much to alleviate the shortcomings, since the general low level of income does not allow any significant capital accumulation. Third, even the small proportion of the middle class cannot be entrusted with the task of becoming agents for progress.[17]

15 Soegito Reksodihardjo, 'Skills Investment in a Developing Country: An Appraisal of Management Development for Indonesia', PhD dissertation, University of California, Los Angeles, 1963, 170.

16 Reksodihardjo, 'Skills Investment in a Developing Country', 154–5.

17 Reksodihardjo, 'Skills Investment in a Developing Country', 216.

This tension between modernity and tradition was even more explicitly expressed in discussions on the 'traditional value' of *gotong rojong* or communal cooperation. M. Widojoko Notoatmodjo's dissertation, titled 'Gotong Rojong in Indonesian Administration, a Concept of Human Relations', defended at Indiana University in 1962, sought to understand how the traditional value of *gotong rojong* could be applied to solve Indonesia's managerial woes. Notoatmodjo's discussed three case studies in order to analyse the situations in which *gotong rojong* was used effectively. He found several factors which determined the effectiveness of *gotong rojong*: environmental background, that is, whether someone was from a rural, semi-urban, or urban background; togetherness, that is, the communality of the person's environment, cultural background, education, profession, or social status; their understanding of *gotong rojong*; the degree of practice of *gotong rojong*; the degree of rationality, that is, whether a person is more inclined to be emotional or rational or both; and the tendency for collectivism.[18]

Like Reksodihardjo's analysis, Notoatmodjo focused mainly on the division between traditional and modern cultural traits. He explained that *gotong rojong* 'as a social institution has been known and practiced throughout Indonesia for more than four thousand years, from the time of the population immigration from the mainland of Asia about 2000 BC'.[19] However, its application in the modern period was effective only if the individual had not yet been Westernized. Notoatmodjo continued: 'The domain of *gotong rojong* is any original and untouched village community in Indonesia, the kind of village community in which traditional *adat* law is a guiding principle for every member of the community, and where Western influence has not yet been felt in the way of life of the members of that community.'[20] He believed that *gotong rojong* could only work among those who had not been tainted by the competitive spirit of Westerners, whose individualist tendencies would lead to the disintegration of its efficacy. Notoatmodjo saw the application of *gotong rojong* as a compromise to modernity. Instead of implementing full Westernization, the elites of Indonesia wanted to maintain a modernized Indonesian culture. Thus, the modern idea of *gotong rojong* was, according to Notoatmodjo, a new creation of Indonesian intellectuals who had enjoyed Western education and training.[21]

18 M. W. Notoatmodjo, 'Gotong Rojong in Indonesian Administration, a Concept of Human Relations', PhD dissertation, Indiana University, Bloomington, 1962, 196.

19 Notoatmodjo, 'Gotong Rojong in Indonesian Administration', 205.

20 Notoatmodjo, 'Gotong Rojong in Indonesian Administration', 205–6.

21 Notoatmodjo, 'Gotong Rojong in Indonesian Administration', 218.

The modern reinterpretation of *gotong rojong* was shaped through the reinterpretation of ancient values.[22] Instead of individualism and competition, the new Indonesian man was to work within a highly corporatist social system. This was at least imagined to be the case. Yet, the push for the incorporation of 'traditional values' strengthened the idea of the dangers of the masses; they were not yet ready and thus had to be led by those who were both rational and ready. These rational persons were the managers. In other words, a tension existed between the assumptions made about the pathological nature of the Indonesian character and the efficacy of the new Indonesian managers. There was thus a ready acceptance of values, both modern and traditional, which would help the managerial class to achieve control, despite the fact that such values kept the Indonesian man in a traditional position.

This bifurcated image of the managers as both rational agents and suffering from a damaged culture is important in understanding how the managerial ideology developed in Indonesia. It is not merely interested in efficiency, it may not even be its main goal. The goal was to imbue the new elite class with a modicum of legitimacy as rational, modernizing agents amidst a sea of irrational, but soon to be rational Indonesian peasants. Elite production, as we have seen, was institutionalized through education. How were managers produced?

3 Business Management

Management Week (Pekan Management), which took place in 1959, was the first government-sponsored, short-term managerial course. In January 1959, in response to the November 1958 Lynton and Caldwell report, the BPN called a meeting attended by several ministries, the LAN, and the FEUI. The meeting created a working committee whose members included Dr Subroto, Dr Sadli, and Drs.[23] Panglaykim and Arifin Abdurachman from the LAN, and Achmad Ali from the BPN. After consulting the BAPPIT and the Trading Companies Management Board (Badan Urusan Dagang, BUD), it was agreed to organize the Management Week. It was also decided that top company managers were to be

22 In fact, research has pointed to its creation as recent. Javanese farmers themselves first heard the term around the mid 1950s. John R. Bowen, 'On the Political Construction of Tradition: Gotong Royong in Indonesia', *The Journal of Asian Studies*, 45/3 (May 1986), 545–61.

23 Drs. is short for *doctorandus* (Dutch) or *doktorandus* (Indonesian); it is a title formerly used for doctoral candidates in the Netherlands and Indonesia.'

sent to study on advanced management programmes such as the one in Baguio in the Philippines.[24] On 20 February 1959, the committee concluded that the development of managerial manpower should be divided into three levels: a long-term one that involved five years of academic training, a medium-term one involving two to three years of semi-academic training, and a short-term one of two to three years' company management training.[25]

As a continuation of the Management Week, the FEUI created a Course on Development Management (Latihan Pembangunan Ketatalaksanaan, LPK) in cooperation with the Ford Foundation and the University of California. The programme was initially devised by alumni of the Advanced Management Programme Baguio, a Harvard-led programme that provided business management training for Asian managers. With Ford Foundation money, the alumni approached the FEUI to start a local programme.[26] The programme focused first on collecting business case methods and business cases, and Dr Rossal J. Johnson from Northwestern University and Dale L. McKeen from San Francisco State College were sent to Indonesia develop the programme for two years.[27] The programme accepted high-level managers proposed by their company or office, who would work and live together for a period of six weeks at a hotel in the highlands of Puncak near Jakarta. The first class on the LPK had fifty-eight students: thirteen from state-owned companies, thirty-five from private companies, and ten army officers. They discussed fourteen Indonesian business cases along with fifty-three foreign business cases. There were fifteen teachers, two professors from Gadjah Mada University and the rest from the, most of them American professors who were teaching on a Ford Foundation–University of California programme. Nine assistants were lent by UC to the LPK to help the students with their studies. Each participant was given ten books covering topics from accounting to personnel management. The programme had a small library containing eighty-seven books, many of them used for reading assignments. The classes were usually divided into two groups, which changed every two weeks.[28]

Business management courses had been on offer in Indonesia at the FEUI since the early 1950s and followed the Dutch pattern. To begin with, the faculty

24 Ali Budiardjo, 'Sambutan Mr. Ali Budiardjo berkenaan dengan Pekan Management,' *Madjalah Ekonomi*, 1/2–3 (June/September 1959), 163–4.

25 Budiardjo, 'Sambutan Mr. Ali Budiardjo', 164.

26 Panglaykim, *Report on Business Management Training in Indonesia* (Jakarta: n.n., 1959), 10–12.

27 Barli Halim, 'Latihan Pembangunan Ketatalaksanaan I', *Fortuna*, 2/14 (May 1961), 85–9.

28 Barli Halim, 'Latihan Pembangunan Ketatalaksanaan II', *Fortuna*, 2/15 (June 1961), 162–6.

members were mostly Dutch professors. With the deteriorating relationship with the Netherlands, their numbers had tapered off by 1954. This was compensated for by an agreement between the University of California, the Ford Foundation, and the University of Indonesia to provide teachers and send faculty members to complete their educations at Berkeley and other places in the United States. Until 1963, around twenty American professors were assisting with teaching at the FEUI, while fifty to sixty Indonesians were being trained at various American universities. A similar arrangement was in place between Gadjah Mada University (Universitas Gadjah Mada, UGM) and the University of Wisconsin, whereby the former sent faculty members to Madison for education. The UGM also established research cooperation with Yale University. Outside the United States, the Colombo Plan provided opportunities for education in Australia, Great Britain, and other countries.[29]

The ITB in Bandung created a business management training course in cooperation with the West Java Council of Trade and Companies (Dewan Perdagangan dan Perusahaan Djawa Barat) and, later on, with the Bamunas of West Java. By 1962, there were four classes with a total of 323 students.[30] Between 1959 and 1965, at least six hundred businessmen took the two-year course.[31]

The Ministry of Development (Kementerian Pembangunan) held a Seminar on Industrial Management and Business Administration, dubbed 'SIMBA', in the late 1950s which focused on industrial management. SIMBA cooperated with the Bappit.[32] The courses arranged by the government sometimes involved cooperation from the universities and constituted a major effort by the 1950s' state to increase efficiency, as exemplified by the TWI programme and its Guided Democracy incarnation, the Productivity Institute (Lembaga Produktiviteit). In addition to courses, the Productivity Institute also arranged productivity seminars for the Academy of Company Heads (Akademi Pimpinan Perusahaan)[33] and other state institutes, such as the Rail Office (Djawatan Kereta Api), which covered engineering methods and work-study courses. The Productivity Institute also provided a six-week training programme for master

29 Herman Johannes, *Laporan Tahunan Universitas Gadjah Mada Tahun Pengadjaran 1962/1963* (Yogyakarta: UGM, 1963), 5, 15–17.

30 'Pendidikan Manager di Indonesia', *Fortuna*, 3/26 (May 1962), 81–3.

31 *Sedjarah Perkembangan Pembangunan Daerah Djawa Barat Tahun 1946–1965* (Bandung: Bakopda Djawa Barat, 1965), 232.

32 'Pendidikan Manager di Indonesia', 83.

33 The Akademi Pimpinan Perusahaan was a semi-academic, secondary-level institute in Jakarta that was intended to develop the capability of young people as candidates for company leadership. In the school year 1961/1962, it had 650 pupils and twenty-four graduates.

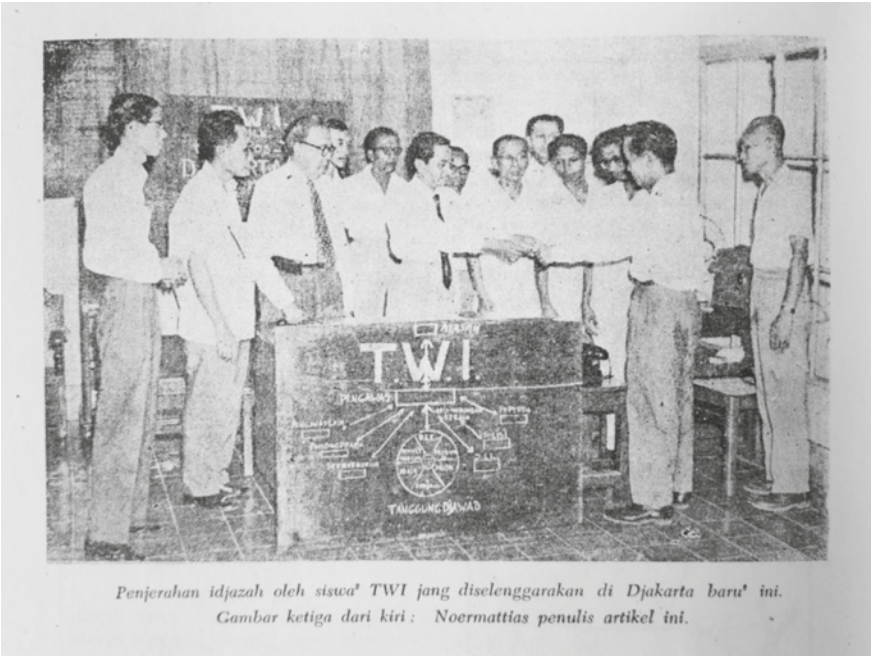
TWI
TWI
TANGGUNG DJAWAB
Penjerahan idjazah oleh siswa' TWI jang diselenggarakan di Djakarta baru' ini.
Gambar ketiga dari kiri : Noermattias penulis artikel ini.

FIGURE 8 The handing over certificate for students for attending the Training Within Industry course in Jakarta
SOURCE: *MADJALAH INDUSTRI RAKJAT*, NO. 3 (II) MARCH 1963, P. 66

trainers. The cost of this course was not covered by the government but had to be paid for by the companies that sent the students.[34]

American corporations dominated these training programmes. The first major actor in this area was the oil company Stanvac, which sent Indonesian employees on courses designed to enable them to take on managerial and supervisory positions. The first scholarships were awarded in 1954, when an accountant was sent to Cornell University and a manager to the Graduate School of Business Administration at Harvard. Employees were also sent to study business administration at the American University in Beirut, Lebanon and Stanford University, California. Legal specialists were sent to Leiden University, the Netherlands, among others.[35] By 1959, Stanvac had sent fifty-nine employees abroad. The United States also provided direct assistance to Indonesian companies. USAID worked with the College of Business Administration

34 'Program Latihan Pembina/Dosen Azas2 Management', *Fortuna*, 3/28 (July 1962), 12.
35 Benjamin Higgins, *United States Business Performance Abroad. The Case Study of Stanvac in Indonesia* (n.p.: National Planning Association, 1957), 76.

of Syracuse University to provide a twelve-month programme for Indonesians to study the principles of scientific industrial management and to receive specialized training. In total, fifteen Indonesians attended the programme. Its alumni subsequently developed their own management training in Indonesia, working with the Indonesian Chamber of Industries (Kamar Industri Indonesia) to set up a one-month management course in 1959.[36] It became clear that corporate-sponsored management courses produced better managers than the university system.[37]

The Banas and other government-owned companies with a significant army presence conducted specialized courses for military personnel. In May 1959, the Bappit held its first management course, which catered to professional soldiers who had taken on the role of administrator. In the same month, the Indonesian Chamber of Industries held a management seminar with participants attending from various private industries. In July, the Indonesian Chamber of Commerce (Kamar Dagang Indonesia) held a business management training course, while the Siliwangi Division laid on a six-month-long army middle management training programme, sponsored by the East Java branch of Bappit[38]

The growing relationships between the FEUI, the Finek, government departments such as the Labour Ministry (Kementerian Buruh), the tax office, and the Banas indicate that a community of policymakers and experts was coalescing within these groups which spanned the economic sector, the military, the bureaucracy, and the universities. Management science provided a language that was elitist and professional. It was dominated by an Anglicized and scientific culture that determined a specific and elitist white-collar world view. It was a language that promoted both the magic of efficiency and effectiveness and feelings of communal solidarity and superiority.

The dual rise of military and state managers blurred the lines between the private and public sectors. The private sector had been in decline since the start of the Guided Democracy. The disastrous monetary reforms of August 1959 had effectively attacked both foreign and domestic capital. Many policymakers thought little of Indonesian entrepreneurs, considering them to be speculators and 'black marketeers'.[39] The expansion in management occurred in the public sector. By the early 1960s, Nasution could claim that the military

36 Panglaykim, *Report on Business Management Training in Indonesia*, 13–14.

37 Panglaykim, *Report on Business Management Training in Indonesia*, 15.

38 Panglaykim, *Report on Business Management Training in Indonesia*, 17–19.

39 Benjamin Higgins, 'Introduction', in *Entrepreneurship and Labor Skills in Indonesian Economic Development* (New Haven: Southeast Asian Studies, 1961), 35.

TABLE 12 Management courses provided to state managers

Topics[a]	Teacher
General Management	Drs. Ang Giok Hoen (University of Indonesia)
Personal Management	Drs. Lo Siang Hien (Department of Labour)
Hubungan Perburuhan (*Labour Relations*)	Sutarto (Department of Labour)
Marketing	Drs. Barli Halim (University of Indonesia)
Pengenal Barang (*Goods Identification*)	Pandelaki (Customs Office)
Transport Ekonomi (*Economics of Transportation*)	Drs. Suhono (Finek Bureau) Drs. Sardjono (University of Indonesia)
Budgetary Control	Drs. Njo Tjians Bik (University of Indonesia)
Finance	Dr Mohammad Sadli (University of Indonesia)
Ekonomi (*Economics*)	Dr Subroto (University of Indonesia)
Perdagangan Internasional (*International Trade*)	Drs. Sutarto (University of Indonesia)
Perbankan (*Banking*)/Public Finance	Drs. Sutadi (BUD)
Work College Perdagangan (*Trade*)	Wirasutisna MA (Finek Bureau)
Communications in Management	Mr Siregar (Director of API)
Hukum Perdata (*Civil Law*)	Mr Murtolo (Attorney General's Office)
Pelanggaran Ekonomi (*Economic Crimes*)	Mr Siregar (Insurance Cooperating Institute)
Assuransi (*Insurance*)	Surjono (Tax Office)
Hukum Fiskal (*Fiscal Law*)	Mr Siregar (Director of API)
Hukum Dagang (*Trade Law*)	Ir. Ibnu Sudjono (Cooperatives Office)
Koperasi (*Cooperatives*)	Drs. Ismail (University of Indonesia)
Research Methodology	
Special/Guest Lecturer	Minister of Land Transportation
Leadership	Minister of Transkopemada (Transportasi,
Cooperatives	Koperasi dan Masyarakat Desa)

[a] Language remains in original form; italics show translations

SOURCE: MADJALLAH PERUSAHAAN NEGARA, 1/1 (1961), 24

had many people with experience in management and that these people needed to be distributed within the field of development.[40]

4 Public Management: Lembaga Administrasi Negara

The report of Edward Lichtfeld and Alan C. Rankin, published in 1954, was influential in the development of Indonesian public administration education. One of the main suggestions made was to create a centralized education institute for public administration specialists. While several were developed, such as the UGM's Balai Pelatihan Administrasi and Pajajaran State University's Faculty of Administration, both founded in 1962, and the Interior Ministry's Local Government Training Academy (Akademi Pemerintahan Dalam Negeri, APDN) in Malang, the LAN became the country's primary institution for public administration education. It was developed under the Djuanda Cabinet. Although its creation was suggested by Lichtfeld and Rankin, the LAN prided itself on its 'indigenous' character. The main goals of the institute were to provide training and supervision of the education of civil servants and/or candidate civil servants, to conduct research in the field of public administration, to provide services to improve and perfect government administrative apparatuses, and, lastly, to further develop the science of Indonesian public administration.

A committee was set up in July 1954, consisting of Vice President Hatta; the head of the BPN, Djuanda; the secretary general of the Ministry of Culture and Education, M. Hutasoit; and the secretary general of the Ministry of the Interior, Sumarman. This committee agreed that an Indonesian programme for public administration education should be created under the guidance of Indonesians and that public and business administration science should be grouped within a unified faculty. In 1956, Hutasoit, Sumarman, and Ali Budiardjo conducted a series of meetings and presented their findings to the secretary general. A new preparatory committee was created consisting of the secretaries-general of the Ministries of Education and Culture, Interior, Finance, and Labour, as well as the vice-director of the BPN and the head of the Office of Personnel Affairs (Kantor Urusan Pegawai). This committee reported to then minister of education and culture Sarino Mangoenpranoto and, at the Ministerial Board (Dewan Kementerian) meeting in early 1957, Minister Mangoenpranoto presented the findings. It was finally agreed that a public administration institute needed to be formed.

40 Nasution, *Memenuhi Panggilan Tugas*, Jilid v, 206.

In August 1957, Karnandi Wargasasmita, Sumarman, and M. Ulfah Santoso went abroad on a fact-finding mission. At the same time, a delegation from the Institute of Public Administration in Manila, led by Carlos N. Ramos, visited Indonesia. The LAN remained well connected to the wider international public administration networks. At a regional conference on public administration held in Manila in July 1958, Prajudi Atmosudirdjo and Arifin Abdulrachman, both of whom had obtained top positions in the LAN, represented Indonesia, along with Marsoro and Z. A. Samil. The conference created the Eastern Regional Organization for Public Administration, or EROPA. As a follow up by the ICA to the Lichtfeld and Rankin report, Joseph L. Sutton, an adviser to the state administration institute at Thammasat University, Bangkok, was sent to Jakarta. The ICA focused on two things: importing literature on state administration to Indonesia and sending young Indonesians to study the science in the United States.[41]

Prajudi Atmosudirdjo was appointed head of the LAN on 5 May 1958. He had worked as a senior officer in the Department of Industry under the Ministry of Economic Affairs[42] and had lectured in the Management Faculty of Dwipajana University in Jakarta, writing a book on public management in 1956. In 1959, the LAN set up its first foreign cooperation with Indiana University within the Indonesian Public Administration Project, a five-year programme that allowed seventy-one Indonesian officials to train in the United States.[43] The US provided funds to the tune of $586,000 for the LAN–Indiana University project.[44] As well as the US, the LAN also worked with the UN, West Germany, the Colombo Plan, and Japan. In the period 1959–1962, the LAN sent eighty-nine people abroad to study; seventy went to the US, fourteen to the Philippines, three to Japan, and one each to West Germany and Australia.[45] Staffing remained a problem as experienced managers were hard to pry from their comfortable jobs, and young people were reluctant to join because of the low pay.[46] As well as Indiana University, the LAN also had links with international organizations such as the International Institute of Administrative Sciences and EROPA.[47]

The LAN–Indiana University cooperation programme was the institute's most important international relationship. Most of its employees who were

41 Buchari, *Buku Peringatan Pantjawarsa*, 46–54.
42 Djojohadikusumo (ed.), *The Government's Program on Industries*, 1.
43 Sondang Paian Siagian, 'The Development and Problems of Indigenous Bureaucratic Leadership in Indonesia', PhD dissertation, Indiana University, Bloomington, 1965, 245.
44 Mahajani, *Soviet and American Aid to Indonesia*, 13.
45 Buchari, *Buku Peringatan Pantjawarsa*, 28.
46 Buchari, *Buku Peringatan Pantjawarsa*, 12.
47 Siagian, 'The Development and Problems of Indigenous Bureaucratic Leadership', 97–8.

sent abroad for higher education were sent to Indiana University, although some went to other US universities. The vast majority of the LAN's books and manuals, audio-visual equipment, printing presses, and other equipment were given by Indiana University with the financial help of the Ford Foundation, or were purchased with the Indiana University courses in mind. In addition to Indiana University professors, the LAN also regularly invited other foreign professors to give talks. They included, in 1960, Harold Koontz, the famous management professor from the University of California, and John Richard Hicks, an economist from Oxford University. Conversely, the LAN also sent people to attend conferences or give talks abroad, including a visit by Arifin Abdurrachman vice principal of LAN, and Prajudi Atmosudirdjo, head of the LAN, to the US, to an IIAS (International Institute for Administrative Science) conference in Lisbon, and to an EROPA conference in Tokyo.[48]

The focus of the LAN inevitably gravitated towards education, based on the following principle: 'When Indonesian leaders, political, community and civil servants, clearly understand what is meant by the subject of public administration, it will be possible to carry out successfully extensive administrative-management improvement projects.'[49] Various short courses were run in cooperation with other state institutions, such as the Depernas and individual departments. The LAN also ran courses for lower-level managers, including a course for the 145 *lurah* (head of subdistrict) in Jakarta working in cooperation with the municipality. On average, two hundred to five hundred people attended these annual courses. The scope of education was significantly widened when, on 7 November 1960, the University for the State Public Administration Service (Perguruan Tinggi Dinas Ilmu Administrasi Negara) was founded. It had the best library on public administration in Indonesia,[50] containing the latest American books on the subject. In the same year, the LAN conducted various efficiency surveys in many government departments; produced manuals on management, form design, supervision and reporting; and sent out consultation teams to various institutions such as banks, the army and air force headquarters, the Department of Justice, and prison offices.

The idea of the LAN as the coordinator of civil service administration was an essential component in unifying the fragmented civil service corps. This fragmentation was a result of political party infiltration and this was to be fixed through re-education with proper scientific management courses.

48 Buchari, *Buku Peringatan Pantjawarsa*, 46–53.

49 Jones, 'Some Critical Areas', 13.

50 Siagian, 'The Development and Problems of Indigenous Bureaucratic Leadership', 97.

Unfortunately, Prajudi Atmosudirdjo failed to provide the leadership needed to enable the necessary educational restructuring to occur. This failure was very much a result of the director's lack of authority with the ministries involved.[51] The LAN failed to convince the universities to back the restructuring and there was competition between the organization and the universities to provide public administration courses. Although the LAN attempted to reorganize the subject's curriculum and structure during the 1961 Conference on the Teaching of Public and Business Administration at Universities, Institutions of Higher Education, and Academies, it failed to do so.[52]

5 Guided Democracy Management

Both the Lichtfeld and Rankin and the Caldwell and Timms reports approached the institutions of Indonesia's state and education system with an almost naïve lack of political perspective. Naturally, they only met with the most technocratic elements of the Indonesian state: Lichtfeld and Rankin came at the behest of the University of Indonesia, and Caldwell and Timms at the request of the BPN. The Guided Democracy changed all that because of the increasingly political nature of the formerly less-political decision-making institution. The most significant change was the effective reorganization of the Central Bank from being an independent organization to being part of one of the president's ministries.[53] Another difference between the 1950s and the 1960s within administration science was the development of a distinct specialism called development administration. The reason for this evolution was that public and business administration science had been developed for the American political economy and its application to the Third World had required its contextualization. Another reason for its development was the growing awareness that administrators and the science it brought forth would have to operate within an elite system that differed from that of the West and that lacked the presence of a strong state where the rule of law operated.

The roots of development administration germinated in the evolution of a comparative approach during the early 1960s. This approach, driven by a cadre of American public administration specialists within a group called the

51 Djuna Hadisumarto, 'The Indonesian Civil Service and its Reform Movement', PhD dissertation, Indiana University, Bloomington, 1974, 182–3.

52 Hadisumarto, 'The Indonesian Civil Service and its Reform Movement', 182–3.

53 Radius Prawiro, *Indonesia's Struggle for Economic Development. Pragmatism in Action* (Kuala Lumpur: Oxford University Press, 1998), 3.

Comparative Administration Group, or CAG, was integral to the emergence of development administration. In Asia, the CAG formed the Asia Committee, which allowed many of the pioneers of comparative-administration science to try applying their ideas to real-world problems. Milton Esman of the University of Pittsburgh, for instance, worked in the Development Administration Unit of the Malaysian prime minister's office. Within EROPA, the creation of a Development Administration Group in 1966 signalled the expansion of this relatively tight-knit community of experts. The section was composed of seven members, including Dr Sondang Siagian of the LAN.[54]

As part of the reorganization of the Guided Democracy in the early 1960s, to allow for the greater participation of experts in the decision-making process, a series of congresses (*musjawarah*) was held across all the sciences. These meetings were meant to integrate the sciences with the nation's development plans. On 1 and 2 December 1961, the Department of Higher Education and Science held a congress in cooperation with the BPA, Gadjah Mada University,[55] and the LAN to discuss the influence of higher education on public administration and business management within the universities themselves. The seminar was biased towards public administration, despite the attendance of several business management specialists, such as Barli Halim and Soebroto from the FEUI.[56]

In an article on development administration, written after the fall of the Guided Democracy, Sondang Siagian reiterated the existence of four groups of elites: the power elites or political elite, the task elites or top administrators, the captains of industry, and the intellectuals. Following the arguments adopted by Barli Halim in his papers on the rise of the New Order, Siagian stated that development administration should focus on pioneering changes: 'It is an overall development that is simultaneously integrated into political, cultural, social, and economic development.'[57]

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54 Sondang Paian Siagian, *Administrasi Pembangunan dalam rangka Nation Building* (Jakarta: Lembaga Administrasi Negara, 1968), 2–4.

55 The Balai Pembinaan Administrasi ran courses for over two thousand students from various government departments on many topics, including general managerial knowledge, company administration, and efficiency. It also provided consultancy services and carried out research for various firms and government agencies in the Central Java area. *Pantja Warsa Balai Pembinaan Administrasi Universitas Gadjah Mada* (Yogyakarta: Balai Pembinaan Administrasi-UGM, 1965), 31–7.

56 *Laporan Musjawarah Ilmu Administrasi Negara dan Niaga* (Jakarta: Lembaga Administrasi Negara, 1962), 65 and 69.

57 Tjokroamidjojo, *Administrasi Pembangunan*, 2. 'Pioneering dan changes ini menjangkut djuga bidang2 politik, kulturil, sosial, ekonomi dan lain2. Djadi satu pembangunan jang

The premise of the Guided Democracy as a managerial revolution was voiced throughout the period. In his book, Achmad Sanusi pointed to the need to see Sukarno's Revolusi and the administrative sciences as linked: 'A group of leaders (*tokoh*) should be created that could push members of society towards a more productive and efficient way of working and one that could avoid [...] speculation and corruption.'[58] Public administration specialists had to develop a model that could be used by the Indonesian government to complete its administrative revolution. Sanusi proposed two approaches. First of all, traditional Indonesian forms of leadership should be studied, such as the *gotong royong* element of village life and *bapakisme*[59] culture. Improving upon these would develop an effective administrative system using models that were already at hand within Indonesian society. The second approach should be a comparison of Eastern (Russian, Chinese, Yugoslavian, Polish, et cetera), Western (American, English, French, Norwegian, et cetera), and non-aligned (Cuban, Brazilian, Indian, et cetera) administrative systems to find the one most suitable for Indonesian use.[60]

Public and business administration specialists conducted comparative studies that increasingly focused on communist countries as a way to maintain a level of relevance in society. Achmad Sanusi's religious background did not prevent him from exploring communist societies, including writing articles with titles such as 'The Administrative System of Russia: A Comparison between the Reign of the Tsar and the Stalin–Khruschev Period', 'An Analysis of the Five-Year Development Plan of Hungary', 'Foreign Trade between Yugoslavia and the US', 'The Yugoslavian Workers Council', and so on. Comparisons with the American managerial system and its focus on business management science contrasted with the Russian focus on engineers and engineering as the basis for managerial science.

At the end of the 1960s, Soehardiman, a military manager during the Guided Democracy period, wrote: 'From the time when the community was still in a traditional state to its development as a modern state, the national-development administration has had a role as the creator of dynamism, stability, acceleration, and modernity; it is even the key to changing, creating,

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merupakan totalitas jang terintegrasi daripada pembangunan dibidang politik, kulturil, social dan ekonomi.'

58 Achmad Sanusi, *Masalah Administrative Leadership* (Bandung: Universitas Bandung, 1964), 22–3. 'Hendaknja terbentuk satu barisan tokoh2 jang mendorong anggauta2 masjarakat kearah bekerdja lebih produktif dan efisien, dan menghindarkan [...] spekulasi dan korupsi.'

59 Formal relationship within bureaucracy or companies that mimicked traditional, paternalistic father and son relationship.

60 Sanusi, *Masalah Administrative Leadership*, 25–6.

and moving towards a modern society that is in line with the development of science and technology.'[61] The American modernization ideology had come full circle by the time the New Order had begun. The remaining public discourse had moved away from socialism and its implied participatory actions; instead, the idea of a capable managerial leadership had become the mainstay of the Indonesian discourse of modernity. Soehardiman, along with many others, considered Suharto's success to lie in his brilliant management skills and strategic capabilities. A collection of articles from seventeen Suharto ministers extolling his managerial capability was published in 1996, a year before the financial crisis brought down the Indonesian economy.[62]

6 Tools and Authorities

Both Indonesian and American experts recognized the problem of creating a formidable public administration. Joseph M. Waldman was confronted with these problems during the Indiana University project while aiding the LAN in establishing a national training centre for office administration. He quoted several Western experts on the problem of authority: 'I'm sure we've reported to you on several occasions that Mr Mintorogo (deputy director) and others are very reluctant to make those decisions which involve the fact that they have to face up to someone and say "no", or administer correction, or deprive them of what they want to do.' Further, 'on occasions, when some operational or procedural problem had come up and we've asked that he (deputy director) clear this with the LAN and provide us with a pattern for action, he then pleaded that I (chief of party) or Joe should take the matter up with the officials involved, because we were foreigners and that they would listen to us but would pay no attention to him.'[63] A reluctance to cooperate with foreign experts had been noted since the early 1950s: 'Indonesian officials display a touchiness about

61 Soehardiman, *Kupersembahkan kepada Pengadilan Sejarah*, 238. 'Dari semendjak keadaan masyarakat masih dalam taraf yang tradisional hingga perkembangannya pada taraf modern sekarang ini, administrasi pembangunan nasional mempunyai peranan sebagai dinamisator, stabilisator, akselerator, dan modernisator, bahkan merupakan kunci serta daya penggerak untuk merubah, membangun dan mengembangkan kearah modernisasi masyarakat sesuai dengan kemajuan ilmu pengetahuan dan teknologi.'

62 Riant Nugroho Dwidjowijoto, *Manajemen Presiden Suharto* (*Penuturan 17 Menteri*) (Jakarta: Yayasan Bina Generasi Bangsa, 1996).

63 Joseph M. Waldman, 'Administration Problems Encountered in the Establishment of the National Center for Office Administration in Djakarta, Indonesia', PhD dissertation, Indiana University, Bloomington, 1966, 119–20.

prerogatives, prestige, self-esteem that is a hyper-reaction against the former authority of foreigners, heightened by a frequent sense of insecurity arising from feelings of personal inadequacy for the jobs held.'[64]

Many of the publications and conferences on public administration focused on the problems of leadership in, and the decision-making of, the civil service, that is, the problem of authority. There were three general themes in the discussion of public management at the LAN and in other places, such as at APDN or on FEUI management courses. One focused on behavioural capabilities, decision-making, and the devolution of authority. Sondang Siagian proposed changes to create a more active civil service: a better system of recruitment with entrance exams; a better classification of positions; efficiency ratings; better career planning and a greater flow of civil servants from one agency/department to another; better compensation schemes; and, lastly, an improved retirement system.[65]

As in the case cited by Waldman's study, the problem of authority was seen as being much deeper than a question of inadequate remuneration, although this was blamed too, to some extent. Another prominent social science that often figured in such discussions was that of psychology. Books on psychology, offering quick remedies, were available as early as the 1950s. Many ideas on leadership rallied around the slogan 'the right man in the right place', which was a somewhat tacit statement about the difficulty of actually drilling and coaching the 'wrong man' into being a good manager, despite advances in the field of psychology. Even so, the notion of coaching a person into excellence in administration was nursed throughout the period.

The second theme related to technical matters of efficiency, especially concerning the office. Many books and articles released by the LAN or the APDN focused on expounding technical developments concerning both work behaviour and office formats. Motion studies – for instance, those developed by the American engineer Frank B. Gilberth and his wife Lillian M. Gilberth in the late nineteenth century – technically dissected the movements of a person working in an office. Seventeen movements were identified and the extent to which they used energy was assessed. These were then linked with time studies, creating time-motion studies.[66] These and other 'tools', such as the 'critical

64 'Foreign Technical Assistance in Economic Development In a Newly Independent Country', 78.

65 Siagian, 'The Development and Problems of Indigenous Bureaucratic Leadership', 206–34.

66 A prominent Gadjah Mada social scientist, Drs. The Liang Gie, was quite adamant about promoting these studies. See his article on limiting necessary motion at the office. The Liang Gie, 'Penghematan Gerak dalam Pekerdjaan', *Buletin Lembaga Administrasi Negara*, 3 (1963), 23 and The, *Tjara Bekerdja Efisien*.

path method', which was meant to evaluate and estimate the schedule, costs, and resource allocation for a particular project,[67] were all being taught to government officials through these managerial courses. Like time-motion studies, Americans dominated this field.

7 Political Indoctrination and Retooling

No other 'tool' of management came to be implemented as widely as that of indoctrination, with the exception of the benignly named 'retooling', a shorthand for what amounted to political purges in the offices as shifting influences within Sukarno's inner circle affected those working below them. Similar to many tools of modern scientific management, indoctrination focused on the matter of control; that is, control of the minds of those working under you. Indoctrination had naturally had a history long before the arrival of scientific management, but the indoctrination package that was implemented during the Guided Democracy was couched within the modern and cheerful language of rationality and efficiency. It formed part of Sukarno's dream of creating a New Indonesian Man, which sat at the very heart of the Guided Democracy experiment. In his famous and important Independence Day speech of 1959, Sukarno said:

> In order to overcome all the problems associated with our near-term and long-term goals, it is obvious that we cannot use the present systems and tools. We must rid ourselves of liberalism; in exchange, we must replace it with guided democracy and guided economy. The inefficient arrangement of apparatuses must be taken apart. New arrangements (*ordening*) must be made and re-arrangements (*herordening*) carried out, so that both guided democracy and guided economy can be achieved. This is what I meant when I spoke of 'retooling for the future'.[68]

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67 Julianto Moeliodihardjo, 'Perentjanaan dan Pengawasan dengan "Critical Path Method" ', in Tumpal Dorianus Pardede (ed.), *Latihan Pembangunan Ketatalaksanaan. Pemikiran Pendahuluan Mengenai Management Berdikari 1965* (Jakarta: Fakultas Ekonomi UI, 1965).

68 'Maka untuk menanggulangi segala mas'alah2 berhubung dengan tudjuan2 djangka pendek dan djangka pandjang tersebut, njatalah kita ta' dapat mempergunakan sistim jang sudah2 dan alat2 (tools) jang sudah2. Sistim liberalisme harus kita buang djauh2, demokrasi terpimpin dan ekonomi terpimpin harus kita tempatkan sebagai gantinja. Susunan peralatan jang ternjata ta' effisien dulu itu, harus kita bongkar, kita ganti dengan susunan peralatan jang baru. Ordening baru dan herordening baru harus kita adakan, agar demokrasi terpimpin dan ekonomi terpimpin dapat berdjalan. Inilah arti dan isi

As with national planning, scientific management promoted a state–society relationship that elevated the 'experts' within society as natural leaders. These experts occupied positions of importance in several organizations and maintained close contact with each other and, importantly, with members of the military. The rise of military managers, which Utrecht labelled 'military entrepreneurs',[69] within the nationalized companies resulted in a large number of army personnel managing relatively sophisticated businesses.

Opening the door for indoctrination coaching in high-level government offices, Djuanda proclaimed that

> retooling and indoctrination will not only take place in the lower levels of government, but in all state apparatuses from the lowest to the highest, including among the ministers. Retooling and indoctrination are needed in the whole of society in order to create a just and prosperous society. Our retooling and indoctrination efforts will also crack down on private and state-owned companies, which will be reorganized so as to work in a better and more perfect manner. Not all the leaders/directors of these companies do their work perfectly. As a result, there needs to be a reorganization and screening within these companies.[70]

Thus 'retooling' imagined the disciplining of the body politic on an individual level.

Books on military administration, for instance, were derived from general scientific administration publications, discussing the theories of Henry Fayol, James Burnham, the PODSCORB[71] approach, and many of the latest ideas that had emanated from America. As Herlan phrased it:

> Those (administrative) regulations and procedures above, after being practised and perfected through the development of the army's organization and procedures, were then published in book form [...]. The content of the book will be discussed fully in future classes. By 'indoctrinating'

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perkataanku mengenai "retooling for the future".' Sukarno, 'Penemuan Kembali Revolusi Kita', in *Tudjuh Bahan2 Pokok Indoktrinasi* (Jakarta: Dewan Pertimbangan Agung, 1962).

69 Ernst Utrecht, 'The Military Elite', in Malcolm Caldwell (ed.), *Ten Years Military Terror in Indonesia* (Nottingham: Spokesman Books, 1975), 41–58.

70 Nanulaita, 'Ir. H. Djuanda Kartawidjaja', 148–9.

71 PODSCORB is an acronym in the field of management and public administration representing a classical approach in organizational theory.

> the officers, the army's 'new-style' administration can be implemented correctly.[72]

The role of the military in this reorganization stemmed from Nasution's anti-corruption effort, which had increased military participation in society during the second half of the 1950s. The role of the universities and other government institutions was also significant.[73] The LAN provided a platform for people to write about the problems of indoctrination, including a piece in its journal in 1961:

> Indoctrination is part of the pattern of civilization of large countries like the United States and the Soviet Union; it is only proper and necessary if, in Indonesia, indoctrination is based on the social philosophy of the Pancasila. The problem now lies in its implementation, as most of the indoctrinators themselves have unwittingly become unpaid propagandists for the philosophy of social liberalism as a result of their long exposure to education based on this philosophy. It is fortunate that the basic civilizational pattern of Indonesia is being pioneered by the Universitas Gadjah Mada through its Studium Generale, while the Academy for Interior Governance in Malang has already ensured satisfactory results for the course on Pancasila for the academic year 1959/1960.[74]

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72 Herlan, *Administrasi Umum dalam Angkatan Darat Kita: Indoktrinasi Administrasi pada Tg. 1 April 1963* (Jakarta: Departemen Angkatan Darat, 1963), 8. 'Ketentuan2 dan prosedur2 diatas, setelah mengalami "praktek" beberapa tahun dan disesuaikan dengan perkembangan2 dalam organisasi dan tata-tjara dalam staf AD kita, kemudian dibukukan dan dikeluarkan oleh DITADJ dalam bentuk [b]uku [...]. Isi dari buku tersebut akan diuraikan lebih mendalam dalam kuliah2 berikutnja. Maka melalui para pedjabat2 jang telah "ge-indoctrineerd" nanti diharapkan administrasi AD dengan "gajabaru" itu dapat dilaksanakan dengan sebaik-baiknja.'

73 University lecturers were required to go through indoctrination coaching; some five hundred lecturers underwent such coaching between 1962–1965. Bachtiar Rifai, *Perkembangan Perguruan Tinggi*, 43.

74 Ruspana, 'Quo Vadis Peradaban Indonesia', *Lembaga Administrasi Negara* (1961), 42. 'Dengan penelitian adanja indoktrinasi sebagai realisasi dasar pola peradaban di negeri2 besar Amerika Serikat dan Soviet Uni, wadjar dan keharusan serta wadjiblah kalau di Indonesia didjalankan indoktrinasi sebagai realisasi dasar pola peradaban filsafat social Pantja Sila. Akan tetapi sekarang kesulitannja jaitu dalam bidang pelaksanaan dimana sebagian besar pelaksana2 sendiri dengan setjara tidak disadari mereka mendjadi propagandis tanpa bajaran dari filsafat sosial liberalisme, karena memang sudah sekian tahun mendapat pendidikan berdasarkan bersumberkan filsafat tersebut diatas. Sjukurlah dasar2 pola peradaban Indonesia ini sudah dirintis oleh Universitas Gadjah Mada dengan diadakannja Studium Generale, sedang di Akademi Pemerintahan Dalam Negeri di

Retooling also facilitated the spread of the military into the various nooks and crannies of society. As Nasution phrased it: 'There is no field where the Karya military force isn't participating. This shows that the APRI (Indonesian Army) has succeeded in conducting retooling.'[75] A series of professional oaths was created: Panca Setia for the civil service, Sapta Marga for the military, Tri Brata for the police, Panca Wardana for the youth, and so forth, signalling the loss of individual responsibility and its replacement with responsibility to the state.

8 The Bapekan

The State Apparatus Supervision Agency (Badan Pengawas Kegiatan Aparatur Negara, Bapekan), created on 17 August 1959, was the brainchild of General Nasution.[76] It was a small and centralized organization with forty staff members. It studied the problems of decentralization and the stalemates in the court system. It sent members to observe the arrangements of the Asian Games in 1962, the petroleum industry in Sumatra, and the Rice Centre (Sentra Beras) in Java.[77] Its duty was to conduct surveillance and research into the working of state apparatuses.[78] The organization carried out two basic forms of work: passive/routine-type work and active work. Active work consisted of investigations carried out on presidential orders or that were initiated by the Bapekan itself. It also investigated complaints sent from the regions.[79] One of the Bapekan's weaknesses was that it functioned merely to investigate and recommend solutions, and lacked enforcement capability.[80]

The head of the Bapekan was Sultan Hamengkubuwono IX, the former minister of defence. Widely regarded as an upstanding figure, the sultan was an important symbol of idealism, an outlook that the body wanted to convey to the

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Malang filsafat Pantja Sila telah dimasukkan didalam Curriculum tahun pengadjaran 1959/60 dan ternjata hasilnja memuaskan.'

75 Nasution, *Memenuhi Panggilan Tugas*, Jilid V, 208.

76 Nasution, *Memenuhi Panggilan Tugas*, Jilid V, 256.

77 Notulen Rapat Bapekan, ANRI, Menteri Negara Ekonomi, Keuangan dan Industri (Menneg Ekuin), inv. no. 390.

78 Nasution claimed that initially Sukarno wanted to give the Bapekan to politicians, but he relented so as to maintain the technical nature of the organization, instead of allowing it to become highly politicized. Nasution, *Memenuhi Panggilan Tugas*, Jilid V, 256.

79 ANRI, Bapekan, inv. no. 6.

80 *Peraturan-peraturan Presiden Republik Indonesia No. 1 Tahun 1959 tentang Pembentukan Badan Pengawas Kegiatan Aparatur Negara* (Jakarta: Pertjetakan Negara, 1959), 1–10.

sceptical Indonesian public. His secretary, sociologist Selo Soemardjan, joined him.[81] Other members of the Bapekan included Semaun,[82] an old communist who was famous for being banned by the Dutch East Indies; Samadikoen, a former governor of East Java (1949–1958); and Colonel Soedirgo, a military man. Sukarno pushed for the inclusion of Semaun in order to realize his Nasakom ideals.[83] Nasution thought that while the composition of the Bapekan was politically strong, it was technically weak.[84] However, the selection of its members was certainly not based solely on political considerations. Each of them had experience with administration, although none was trained specifically in the American science of public administration. Between January 1959 and July 1959, the Bapekan received 902 cases for investigation, of which 402 were reportedly 'solved', while the rest remained 'in progress'. The Bapekan's recommendations were non-binding.

9 The Paran

The National State Apparatus Retooling Committee (Panitia Retooling Aparatur Nasional, Paran) became the other half of the control mechanism of the civil service. If the Bapekan functioned as a research and surveillance

81 Soemardjan, *Social Changes in Jogjakarta*.

82 Semaun was a communist of long standing who was banished by the Netherlands Indies government in 1923 for his role in the Union of Railway and Tramway Personnel (VSTP) strikes. Initially, he lived in the Netherlands and was active in the Anti-Imperialist League and the Indonesian Association (Perhimpunan Indonesia), rubbing shoulders with Mohammad Hatta and many other Indonesian nationalists before leaving for the Soviet Union in the 1930s. He reputedly studied at Tashkent University, Uzbekistan, before moving to the Institute of Far East Studies in Moscow in 1931, where he studied Soviet rationalization in action at the Rail Office of Baku in the Caucasus, in today's Azerbaijan. He was also reputed to have worked for the planning board of the Soviet Republic of Tajikistan. It was partially based on this experience that he was given a Doctor Honoris Causa by Prof Dr Prajudi Atmosudirdjo, who, aside from being the head of the LAN, was also the dean of Padjadjaran University. He arrived back in Indonesia in December 1956 with much fanfare and to open arms from the nationalist and communist elites of the country, including President Sukarno himself. Meanwhile, by his return to Indonesia he had effectively renounced communism, whose Stalinist excesses he had personally witnessed during his stay in the Soviet Union. Upatjara pemberian gelar Doctor Honoris Causa dalam Ilmu Ekonomi kepada Sdr. Semaun pada hari senin tanggal 31 Djuli tahun 1961, djam 20.00 bertempat di Aula Universitas Padjadjaran djalan Dipati Ukur no. 37, Bandung, ANRI, Bapekan, inv. no. 5.

83 Nasution, *Memenuhi Panggilan Tugas*, Jilid V, 257; *Harian Rakjat*, 16 August 1959.

84 Nasution, *Memenuhi Panggilan Tugas*, Jilid V, 257.

body, the Paran had the duty of fixing the problems it highlighted through retooling.[85] Nasution was the head of the Paran and Roeslan Abdulgani his deputy. The Paran was the brainchild of Nasution, Muhammad Yamin, and Abdulgani. As a result, it incorporated the diverse ideas that the three men had about retooling. The presence of Abdulgani as Sukarno's ideological right-hand man strengthened the president's idea of the Paran as an indoctrination organ for the wider civil service. As Nasution said, 'the president will deal with the mental-ideological retooling, but what I am dealing with is related to organizational order, work order, and personnel problems'.[86] Nasution thus dealt with the more mundane but important problems of mismanagement.

The first act of the Paran was to continue to carry out the military's anti-corruption policy when, in December 1960, all government ministers were required to hand over information about their personal assets. Forms were sent to people in key positions of the civil service in order to determine their loyalty to the state, especially whether they had sympathies with the various rebellions[87] or had been loyal to the Dutch. This process was extended to cover all civil servants at the F/IV level or above by March 1961. Nasution was concurrently the minister of national security. Meetings were held at the army headquarters. The Paran created the new Pantja Satia oath of civil service loyalty, legalized through Presidential Regulation No. 3/1961, which provided the guidelines for retooling. A law was then proposed on the basic principles of government employment (*pokok kepegawaian*).

Nasution reiterated the temporal and ad hoc nature of the Paran, saying that it was part of the government's short-term programme, in line with the other Tri Programmes[88] of the cabinet. He envisaged the Paran as being transformed into a more permanent body, the Body to Manage the Efficiency of the State Apparatus (Badan Pembina Effisiensi Apparatur Negara).

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85 Retooling was supported by management specialists when it conformed to the dictates of scientific management. Public officials were especially needed because of their function as corporate managers. Leon Mears, 'Some Management Problems in Indonesia', in Rossal J. Johnson, Mohammad Sadli and Subroto (eds), *Teachings in Business Administration and Economics* (Jakarta: Lembaga Penyelidikan Ekonomi dan Masyarakat, 1961), 28–30.

86 Nasution, *Memenuhi Panggilan Tugas*, Jilid v, 256. 'Presiden menggarap retuling mental-ideologis, tapi yang saya garap ialah terutama ketertiban organisasi, tatakerja dan personal.'

87 The DI/TII, the PRRI, Permesta, the Madiun Affair, et cetera, comprising representatives of various ideological positions in Indonesia, including Islamist, social democratic, communist, and so forth.

88 The Tri Programmes were: provision of foodstuffs, supporting a secure environment, and continuing the fight against imperialism and colonialism.

There were three sub-committees under the Paran: the 'mental', personnel, and organizational sub-committees. The 'mental' sub-committee designed a uniform and intensified the indoctrination campaign at the central and regional levels, working under the supervision of the Committee for the Management of the Revolutionary Soul (Panitya Pembinaan Djiwa Revolusi), led by Roeslan Abdulgani. In 1961, the committee published the *Seven Major Indoctrination Doctrines* to standardize the process, as instructed by Sukarno on 27 February 1960, to intensify indoctrination and quicken the retooling efforts.[89] The doctrines covered documents on the birth of the national ideology, Pancasila; the Constitution of 1945; the Political Manifesto (Manipol), which embodied the principles of Guided Democracy; Sukarno's main speeches – the Road to Our Revolution (*Djalannja Revolusi Kita* or Djarek) and Creating the World Anew (*Membangun Dunia Kembali*); the president's article explaining both Manipol and USDEK[90]; and, lastly, the president's address on the Eight Year Overall Development Plan (Rentjana Pembangunan Semesta Delapan Tahun).[91] Contained within these documents was a dizzying array of ideas representing Guided Democracy. The committee conducted its first coaching session in May 1961 over a period of five to seven days. There were general coaching sessions for both first- (provincial) and second- (regency) level regional governments.

The organizational sub-committee sent queries to and collected ideas from departments, conducted on-the-spot surveys, sought expert advice on designing blueprints for organizational/procedural work, and, lastly, gave technical retooling advice to the departments in question. This sub-committee was led by Nasution.[92] It also worked with the Ministry of Internal Affairs and Regional Autonomy (Kementerian Dalam Negeri dan Otonomi Daerah) to design a vertical organization of government. On an ideological level, this sub-committee had the daunting task of fulfilling Sukarno's commitment to leave behind the Western *trias politica* (the separation of the executive, legislative, and judiciary) in favour of his brand of corporatist unity under the Karya groups.

The idea of retooling was central to the Paran, but it was also highly central to the ideology of Guided Democracy itself. 'Retooling means the dismantling

89 Seno Soesanto, *Manipol Usdek. Bahan Batjaan bagi Para Peserta Latihan-latihan Djabatan/Kursus-kursus pada Lembaga Administrasi Negara* (Jakarta: Lembaga Administrasi Negara, 1962), 2.

90 The main guideposts of the Indonesian revolution, USDEK (Undang-undang Dasar 1945, Sosialisme Indonesia, Demokrasi Terpimpin, Ekonomi Terpimipin, and Karakter Indonesia) is an acronym for the following: the Constitution of 1945, Indonesian Socialism, Guided Democracy, Guided Economy, and the Indonesian Character.

91 Sukarno, *Tudjuh Bahan Pokok Indoktrinasi* (Jakarta: Pertjetakan Negara, 1961).

92 Nasution, *Memenuhi Panggilan Tugas*, Jilid v, 259.

of the inefficient arrangement of the apparatus and its replacement with a new arrangement. This is planning and rearranging with the long-term goal of achieving our revolution.'[93] Etymologically, the term was used in scientific management for the reorganization of the factory floor, that is, industrial reorganization. Within society, it meant the mobilization of material and spiritual forces and society's recreation as a *strijdvaardig* and *strijdwaardig* (combat ready) force. Within the government it meant reordering in both the legislative, executive, and other fields of government. Its official definition was 'the effort to renovate in the soul, arrangement, work procedures, and personnel of all State organizations in the legislative, executive and other fields at the Centre and the Regions so as to conform to the Political Manifesto and USDEK and to efficiently reach the goals of the State in the short and long term.'[94] The civil service was to be shaped into an efficient bureaucracy through the application of modern management, political education, and purges. A civil servant had to be pro-Manipol and USDEK.

Instead of professionalizing it, the politicization of the civil service damaged it even further. The screening of potentially non-loyal civil servants became a major drive to oust people without the backing of political groups. Instead of looking at people based on their merits, their political stance and personal history became liabilities. For instance, the loyalty issue was highly damaging for those who had historically sided or worked with the Dutch during the revolutionary period. This was the problem for the head of customs in the port of Tanjong Priok, whose professionalism and capability came second to his past political loyalty. Because Indonesia still had a large number of 'collaborators', that is, former officials of the colonial regime, working for the government at that time, such a policy had disastrous consequences for the efficacy of the civil service.[95]

There were two general criteria for determining the acceptability of civil servants: positive and negative norms. The positive norms looked at universal criteria, such as technical capabilities, general capabilities, morality, character, and loyalty. The negative norms looked at the political acceptability of the civil servant within the revolutionary period. This necessitated an inquiry into the personal histories of civil servants. It was important that people were not

93 'Retooling adalah pembongkaran susunan peralatan jang tidak efisien dengan penggantian susunan peralatan jang baru. Ini adalah "ordening" baru dan herordening baru, dengan maksud agar tudjuan djangka pandjang dari revolusi kita dapat tertjapai.' Laporan Panitia Retooling Aparatur Negara, S.1396/9/60, A. H. Nasution, ANRI, Bapekan, inv. no. 5.

94 Laporan Panitia Retooling Aparatur Negara, ANRI, Bapekan, inv. no. 345.

95 ANRI, Bapekan, inv. no. 81.

tainted by historical involvement that could bring into question their loyalty to the Republican government, and this included support of the various post-independence rebellions against the central government or having worked as a Dutch collaborator during the revolutionary war. Three absolute characteristics had to be present: pro-Manipol and USDEK; revolutionary rather than counter-revolutionary, using criteria based on Sukarno's 1960 Independence Day speech; and, lastly, able to combine all revolutionary forces within the spirit of mutual cooperation (*gotong rojong*). Civil servants who were weeded out were put into four possible negative categories: anti-Manipol USDEK, who silently opposed Indonesian socialism; anti-Manipol USDEK, who openly opposed Indonesian socialism; those who, because of lack of knowledge, opposed Indonesian socialism; and, lastly, those who lacked knowledge of Manipol but did not oppose it. This political labelling and classification of people was, to say the least, damaging to the formation of an *esprit de corps* within the bureaucracy.

Instead of announcing Manipol as some sort of international social science experiment, the Indonesian government stressed the ancient and traditional nature of the values behind the teachings that Sukarno had bestowed upon the nation. Thus, the concept of *sosialisme à la Indonesia* was not to be found in capitalist and liberal Europe, but was 'in fact [...] very old in Indonesia [...] for again it is social justice which is meant here, not merely the implementation of laws, regulations and other social codes.'[96] Guided Democracy was in fact 'only a new statement of something very old in Indonesia. Since ancient times, democracy in Indonesia has been what we now call Guided Democracy. Since ancient times, Indonesian society has been averse both to dictatorship and to the individualism of liberalism. The old system of government was based upon *musjawarah* and *mufakat* with the leadership of a single central authority in the hands of a "sesepuh" or elder, who did not dictate, but led and protected.'[97]

Although the regime claimed indigenous roots for its ideology, one could, with little hesitation, support the idea that retooling, indoctrination, and the elimination of counter-revolutionaries within the government was in line with the demands of management science. The structural and 'mental' subcommittees basically rehashed the rhetoric of the more 'scientific' managerial and economic experts, focusing on 'working procedures' and 'organizational efficiency'.

96 *Manipol-Usdek in Questions and Answers* (Jakarta: Department of Information, 1961), 36.
97 *Manipol-Usdek in Questions and Answers*, 40.

Nasution's ambitious goals for the Paran were ineffective. As he himself phrased it: 'Even the effort to regulate the structure of departments was unsuccessful. The ministers maintained their own personal power and obtained their authority directly from the President. I also tried to introduce regional Paran. Governors close to me immediately formed them, but governors close to others at the centre hesitated to do so.'[98] The result of these exercises was the decidedly military garb that the civil service took on, complete with military-style ceremonies, trainings, and indoctrination campaigns.

10 The Inherent Tension of Guided Democracy Control

For most observers, the indoctrination efforts of the Guided Democracy were a farce. Retooling meant purging the civil service of unwanted persons. People queued to go on indoctrination courses because they feared that there would be trouble if they did not take the courses. Most of the teaching materials were dull and uninteresting, a list of readings on the state's ideology. This in turn became the standard fare that the New Order state imposed on the rest of society. In 1966, a series of indoctrination classes to purge communists began. Again, the materials presented were less important than the reinforcement of the idea of state control over one's body and behaviour.

By early 1964, Sukarno had successfully wrested control of the Paran from Nasution by creating another body to replace it: the Highest Command for the Retooling of Revolutionary Tools (Komando Tertinggi Retooling Alat Revolusi, or Kotrar).[99] He viewed the Paran as a threat to his capability to bestow lucrative sinecures as a means to support his authority.[100] Many military officers also saw it as a threat to their position in the economy.[101] The Kotrar was headed by Soebandrio, with General Ahmad Yani as chief of staff and Air Commodore Wiriadinata as vice chief of staff. This represented the end of Nasution's

98 Nasution, *Memenuhi Panggilan Tugas*, Jilid v, 259. 'Untuk penyamaan struktur departemen-departemen saja pun kami tak berhasil. Para menteri telah berkuasa sendiri-sendiri dan langsung meminta pengesahan dari Presiden. Saya usahakan pula adanya Paran di propinsi-propinsi. Gubernur-gubernur yang dekat kepada saya segera membentuknya, tapi gubernur-gubernur yang agak berkiblat kepada tokoh-tokoh lain di pusat, enggan melaksanakannya.'

99 The communists were represented within Kotrar, much to the dismay of the military. David Mozinga, *Chinese Policy toward Indonesia, 1949–1967* (Singapore: Equinox, 2007), 222.

100 Penders and Sundhaussen, *Abdul Haris Nasution,* 170.

101 Crouch, *The Army and Politics*, 40.

effort to implement the managerial sciences within the state structure. As was the case with national planning, Sukarno's politics obstructed efforts to try and implement any sort of rational approach to disciplining state apparatuses.

The ideas of social control, social support, and social participation were central to Sukarno's idea of incorporation. This was apparent in the national planning carried out by the Depernas, and it was also apparent in the Muppenas structure that accompanied the rise of the Bappenas. Social control was meant to 'democratize the political and economic centres of society'. Within government-owned companies, the rise of the Company Board, for instance, was an expression of the intention to create an economy based on an open-management system, one in which the managerial policies of the company would be in the hands of the workers as well as the management. There was thus a strong focus on participation within the idea of Guided Democracy. Social control would lead to a successful state precisely because of the support of people within society. In connection with the problems of corruption and what Benedict Anderson has termed the movement of 'society into the state',[102] the answer was participation as a mechanism to strengthen the legitimacy of the revolutionary leadership. The similarity of social ideals and social goals between the managers and the workers, between the experts and the people, would enable the total support of the people. This was the ideal of the Guided Democracy state.

11 Conclusion

Social-science analysis has highlighted a dichotomy in understanding the problematized Indonesian Man and the *gotong rojong* culture. To begin with, there were inherent problems concerning decision-making and leadership capabilities. The traditional cultural values of Indonesia were considered to be the foundation of the modern Indonesian people, leaders, bureaucrats, and managers. These cultural values were strongest amongst traditional-thinking people. The New Indonesian Man had to be both traditional and modern at the same time. His values had to transcend the traditional value system but be rooted in it nevertheless. The efforts made to discipline Indonesians through indoctrination and retooling were modern and rational attempts to create efficiency while simultaneously upholding the traditional values that legitimized them as both leaders and revolutionaries.

102 As was outlined in Anderson, 'Old State, New Society', 477–96.

At the same time, there was a genuine effort to improve the managerial capability of the bureaucracy through the Bapekan and the Paran. Both bodies tried to implement measures to increase efficiency, which included dealing with problems of a political nature. Like the intentions behind national planning, the early Guided Democracy state was earnest in its attempts to try to make positive changes. Its failure represented the inability of experts to understand the effects of the logical actions of scientific management. Perhaps the most significant legacy of the Guided Democracy movement was its controlling devices and mechanisms, which would continue to be used during the New Order regime.

CHAPTER 7

Economic Policymaking in the Guided Democracy (1962–1965)

Abstract

This chapter explores the economic policy making during the Guided Democracy, especially during the late-Guided Democracy period as it neared its end by 1965, and the increasing polarization between expert economists and the communist party. It looks into communist economic ideas that goes in line with Sukarno's participatory ideas in the economy and how expert economists tried to incorporate socialist models in the economy through researching the economic institutions of East European countries and the Soviet Union. Efforts to integrate liberal economic theories with socialist institutions were discussed in the context of continuing economic deterioration of the first half of the 1960s. A series of economic reform programs designed by Indonesian economists, often working with expert from the US. While initially obtaining support from Sukarno, these economic reforms flounder as a result of communist criticism and Sukarno's unwavering stance to support a more populist position when under pressure. The period saw the return home of many of New Order's main economists after graduating from US universities and their positioning into important post in the economic planning and control of the country. It was a period which cemented the rise of American-educated economists as major holder of Indonesian policy making and the subsequent fall of the Indonesian communist model of the economy.

Keywords

Indonesian socialism – Deklarasi Ekonomi – communist production policy – rise of Indonesian technocracy

Economic policymaking during the latter part of the Guided Democracy showed increasing polarization between the populist nationalist sentiments that Sukarno espoused and the ideas of the economic experts who began to be courted by the executive to help design strategies to cope with the deteriorating

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economic conditions. Both nationalists and communists supported taking a stronger stance against what they perceived to be the threat of economic imperialism from the Bretton Woods organizations. The communists developed their own economic ideas in the form of the production approach and pushed for the greater inclusion and participation of labour unions, farmer unions, and other economic actors within both the state-owned sector and the reorganized private sector. They supported the nationalization of foreign-owned companies, and the trade unions initiated the nationalization of British companies in 1963–1964.

This chapter looks at the work of the new class of policymakers that was created during the 1950s and early 1960s through the provision of international and government aid for higher education. This new class of economists was pragmatic and open to Sukarno's state-led socialist ideas. Although Sukarno had continued reservations about so-called experts, the economists – for instance, Foreign Minister Soebandrio and Minister of Industry Chairul Saleh – gained allies within Sukarno's inner sanctum. While the communists supported the de-concentration of the control of companies in order to allow the greater participation of labour unions and other groups, Western-educated economists also supported de-concentration, but with the aim of gradually introducing the market mechanism into the economy; however, they saw this process as occurring within the confines of state control over market forces. The efforts made to rehabilitate the economy after 1963 provide a glimpse of the increasing tension between these two economic models.

1 Guided Democracy and Economists

The earliest economists to play a significant role in the Guided Democracy state had finished their bachelor's degrees in the mid 1950s, as the first and most important Faculty of Economics had opened its doors at UI in 1951. The mid 1950s were propitious times for newly graduated economists because of the availability of scholarships at the various old and newly minted foreign academic institutions. The first-generation economists, including Mohammad Sadli, Sarbini Sumawinata, and Suhadi Mangkusuwondo, had started to find their way home to Indonesia by the late 1950s, but it was not until 1962 that a significant and increasing number of economists and other social scientists started to return to Indonesia from the United States.

Many of these new economists had good revolutionary credentials. During the independence struggle, Suhadi Mangkusuwondo had fought in the same

student army company as Widjojo Nitisastro.[1] As the older generation of economists faded away, the new generation was able to take up official positions in the state. None of them advocated a direct application of the market-based approach to economic policymaking and, especially during the Guided Democracy, they were quite supportive of the idea of a state-led economy that gave a prominent role to state-owned companies. In the words of Mangkusuwondo:

> During the period of Guided Democracy and Guided Economy in the early 1960s, our attention was focused on the question of how to operate a planned economy based on socialist principles, in which state-owned enterprises (SOEs) were to occupy the 'commanding heights of the economy' and to be its driving force. As economists, we were concerned that the market mechanism be allowed to operate in a planned economy based on socialist principles. Hence, Oscar Lange's views on a socialist market economy became the model for our own views on how to run Indonesia's Guided Economy.

Keynesianism had to be worded differently so that it conformed to the Revolusi ideology. Sukarno had not permitted the teachings of Keynes in Indonesian universities since the early 1960s.[2]

R. Soerjadi, an economist with communist leanings who had worked as the Central Bank's director for economic planning and statistics, presented a paper at a meeting of the Indonesian Scholars Association (Himpunan Sardjana Indonesia, HSI),[3] a communist-affiliated organization, in August 1963. He focused on the perceived similarity between the extremes of communist and capitalist societies and where socialism existed within the continuum. It was assumed by neo-liberal economists such as Von Mises, Ropke, Hayek, and Simons that government intervention was admissible in the economy to control the market. In an analysis of the socialist economist Abraham P. Lerner's *The Economics of Control*, Soerjadi disputed Lerner's conclusion on the concept of pragmatic collectivism: 'Pragmatic as contracted with domestic collectivism is very close to the point of view of the liberal capitalist, who is in favour of state activity wherever the liberal capitalist ideal of perfect competition cannot be made to work.'[4] He then proceeded to quote Dutch economist and politician

1 Mangkusuwondo, 'Recollections of My Career', 34.

2 Anwar, *Sukarno, Tentara, PKI*, 15.

3 The HSI was a communist-affiliated organization of academics and economists.

4 Quoted by R. Soerjadi,, 'Sistim Ekonomi Terpimpin dibidang Moneter', speech given at the HSI Economic Seminar, 20 July 1963, 6. ANRI, Roeslan Abdulgani, inv. no. 1082.

Jelle Zijlstra in his book *Economische orde en economische politiek*: 'If the thoughts of Simons, Hayek, and Ropke, who call for government intervention in the economy, are acceded to, then the thoughts of Hayek and Ropke will reach the conclusion that the Government must intervene in the matters of "work opportunity, monopoly, and the allocation of national income, which are the three subjects that according to Lerner require attention within a "controlled economy".'[5]

Soerjadi's paper was meant to show that an economic system was not automatically tied to an ideology. The overlapping thoughts expressed by socialists and neo-liberals showed the fragility of this fallacy: 'As a result, it can be said that a society can have more than one characteristic. This means that, for instance, liberal societies cannot be identified by just one characteristic, for instance "an economically free society", nor can a communist society be identified by just one characteristic, for instance "a Guided Economy society".' Instead, he says, 'one can say that a Guided Economic society is not identical to communism. In other words, the guided economic system can be combined with other characteristics that do not exist in Russia. This is the case in Indonesia, where the implemented economic system is a guided economic system. But its ideology is that of the Pantjasila in a society that is familiar with *musjawarah*, *gotong rojong*, ownership rights with social functions, et cetera.'[6]

2 The Study of Socialist Economies

From 1960, economists at various universities started studying the state-led economic models in Eastern Europe and China and tried to develop strategies for the Guided Democracy state. The LPEM and other research institutions

5 Quoted by Soerjadi, 'Sistim Ekonomi Terpimpin dibidang Moneter', ANRI, Roeslan Abdulgani, inv. no. 1082.

6 Quoted by Soerjadi, 'Sistim Ekonomi Terpimpin dibidang Moneter', ANRI, Roeslan Abdulgani, inv. no. 1082. 'Dengan demikian dapat dikatakan, bahwa suatu masjarakat itu mempunjai lebih dari satu tjiri sadja. Ini berarti, bahwa misalnja masjarakat Liberal itu, tidak dapat kita beri identifikasi, dengan menjebut satu tjiri sadja dari padanja, umpamanja: "masjarakat ekonomi bebas", dan masjarakat Komunis itu tidak dapat kita beri identifikasi dengan menjebut satu tjiri sadja daripadanja, misalnja "masjarakat ekonomi terpimpin". And: '…sistim ekonomi terpimpin itu tidak identik dengan komunisme. Dengan pertakaan lain, sistim ekonomi terpimpin itu dapat dikombinasikan dengan lapangan2 lain jang sifatnja berlainan dengan jang terdapat di Rusia. Demikianlah, di Indonesia telah ditetapkan, bahwa sistim ekonomi jang hendak didjalankan, ialah sistim ekonomi terpimpin, dasar negara ialah Pantjasila, masjarakat jang mengenal musjawarah dan gotong-rojong, hak milik jang mempunjai fungsi sosial, dsb.'

conducted surveys in various countries abroad and made research visits to far-flung parts of the archipelago to obtain the knowledge necessary to develop an Indonesianized version of a mixed economy. The edited volume produced, titled *Tata Perekonomian Sosialis Indonesia* (Indonesia's socialist economic system), was perhaps one of the most important outcomes; in it, economists from the UI compared and analysed the economic system of Indonesia with those of its Eastern European equivalents.[7] Other significant works included one by Widjojo Nitisastro, who conducted a series of interviews with Polish planning elites and found that their consumption pattern projections were based on West German consumption patterns.[8] Panglaykim's book broadly discussed the various managerial approaches of several Eastern European countries and the People's Republic of China,[9] Wahju Sukotjo wrote about Yugoslavia's worker's management council and socialist democracy in an article for the magazine *Ekonomi*, while another article for the same magazine by Mohammad Sadli and Subroto concerned Yugoslavia's socialist economic system. R. Sardju Ismunandar and Soehardiman visited Yugoslavia, Czechoslovakia, and Poland and wrote about the economic structure and state enterprises of the three countries in the magazine *Perusahaan Negara* in May 1961.[10]

Panglaykim's studies showed that even socialist states entertained ideas of implementing capitalist concepts such as private enterprise. His study on Chinese and East German state capitalism explained this as being part of a transitional phase that compromised its socialist ideals through the introduction of public and private ownership for government companies. His discussion of the Soviet model of national planning occurred after Khrushchev's proclamation of the USSR's sixth Five-Year Plan (1956–1960), which focused on efficiency and giving greater managerial independence to regional bodies and companies.[11] Widjojo Nitisastro suggested actively importing Western ideas through the prism of socialism by looking at what other socialist countries had imported, such as input-output analyses and various programming techniques.[12] The

7 Suhadi Mangkusuwondo (ed.), *Tata Perekonomian Sosialis Indonesia* (Jakarta: LPEM, 1962).

8 Mohammad Sadli, 'Masalah Penentuan Produksi dan Masalah Bentuk Perusahaan dalam Sistim Sosialisme Indonesia', in Suhadi Mangkusuwondo (ed.), *Tata Perekonomian Sosialis Indonesia* (Jakarta: LPEM, 1962), 107–8.

9 Panglaykim, 'Beberapa Aspek Struktur Management/Organisasi pada Beberapa Negara Sosialis', in Suhadi Mangkusuwondo (ed.), *Tata Perekonomian Sosialis Indonesia* (Jakarta: LPEM, 1962), 126–296.

10 Sardju Ismunandar and Soehardiman, 'Struktur Ekonomi dan Perusahaan Negara di Jugoslavia, Czechoslovakia dan Polandia', *Perusahaan Negara*, 1/5 (May 1960), 2–6.

11 Panglaykim, 'Beberapa Aspek Struktur Management', 125–82.

12 Widjojo Nitisastro, 'Beberapa Persoalan Harga', in Suhadi Mangkusuwondo (ed.), *Tata Perekonomian Sosialis Indonesia* (Jakarta: LPEM, 1962), 102. 'Untuk penelahaan persoalan

Keynesian Harrod–Domar model of development, which focused on savings and foreign investment as being central to the push for economic growth, was also studied.[13]

Papers written by some of the most important technocrats of the New Order illustrate the efforts they made to integrate Western theories and socialist institutions harmoniously. Although Sadli claimed that the prime importance of the market was realized later on,[14] efforts were made to understand how other socialist countries used the market. For instance, the Polish use of the West German consumption model showed that even within a relatively developed socialist economy, 'markets and price mechanism still work and determine production volume'.[15] Sadli and Soebroto attended a seminar on Marxism and socialist development in Belgrade from 5 to 22 September 1960 and commented on the Yugoslavian socialist system: 'In the 1950s the basic policy of a state-led nationalist economy was changed. The Russian model was left behind because it was considered inefficient and unfit for Yugoslavian characteristics. Market and price-based stimuli were reintroduced.'[16]

The role of private enterprise in various communist countries was also discussed: in Russia, 'private enterprise is allowed to exist only in branches of production which can be operated as one-man industries'.[17] In contrast, in Poland, private enterprise 'is given the widest latitude in the field of production to augment the available consumer goods, to open new fields of production which have never been developed before, to give employment to more people, and to

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pembagian pendapatan, perkembangan berbagai matjam sistim2 ekonomi dsb., arah jang ditempuh kiranja ialah pertumbuhan suatu ilmu ekonomi dalam arti political economy, jang hanja dapat disusun sebagai suatu usaha inter-disciplinary study diantara ilmu2 pengetahuan sosial jang ada.'

13 Kaptin Adisumarto, 'Scope and Limits of the Harrod–Domar Equilibrium Formula with Respects to Various Economic Models and Their Policy Implications', in *Laporan Kongres Ilmu Pengetahuan Indonesia Kedua, 1962,* Djilid IX: *Seksi E–3* (*Ekonomi*) (Bogor: Archipel, 1962), 209–32. The focus on domestic savings and foreign investment was central to the 1956–1960 Development Plan of the BPN.

14 Sadli, 'Recollections of My Career', 27.

15 Sadli, 'Masalah Penentuan Produksi', 110.

16 Mohammad Sadli and Soebroto, 'Tata Ekonomi Sosialis Jugoslavia', *Ekonomi*, 84. 'Dalam tahun 1950 dasar kebidjaksanaan negara untuk mengusahakan ekonomi nasional diubah. Model Russia ditinggalkan sebab dipandang tidak effisien dan tidak tjotjok dengan keadaan2 jang terdapat di Jugoslavia setjara chas. Sistim perangsang dikembalikan dengan pengunaan sistim pasar dan harga (bebas).'

17 Subroto, 'The Role of Private Enterprise in the Framework of Indonesian Socialism', in Johnson J. Rossel, Mohammad Sadli and Subroto (eds), *Teachings in Business Administration and Economics* (Jakarta: LPEM, 1961), 26.

increase the prosperity of the country'.[18] What was perhaps the most common characteristic in the trope used by FEUI economists was the assumption that the communist and the capitalist worlds represented a difference in degree and not in kind.

The focus on studying Eastern European socialism was encouraged by Mohammad Sadli and indicated the need for experts on the subject. Batara Simatupang, an assistant lecturer at the FEUI, was part of the second group of economics students from the UI that was sent, along with Emil Salim, to study in the United States. Studying at Stanford under, among others, Paul Baran, Simatupang examined neo-Marxist ideas that were the precursors to the dependency theory of the 1970s. There was thus a recognition within the FEUI that socialist ideas on economic planning and development should be studied. Simatupang was then sent to Yugoslavia, where he studied the work of the country's planning board. After that, he went to Poland to pursue his PhD.[19]

3 Economic Deterioration and Rehabilitation

By 1962, there was a widespread acknowledgement that the economic situation had become dire. A comparison of the situations in 1961 and 1965 gives a vivid picture of the deteriorating conditions. Indonesia's GDP (constant price 1960) increased from Rp 390.5 billion in 1960 to Rp 429.7 billion in 1965, with annual growth of 2.2 per cent and annual population growth of 2.8 per cent. Thus, GDP per capita had an annual negative growth rate of 0.6 per cent. Exports had fallen from $620 million in 1960 to $462.7 million in 1965, down 30 per cent. With an increase in the population of about 30 per cent[20] in the same period, foreign exchange per capita had decreased by a huge 60 per cent. Foreign debt grew from around $900 million in 1961 to about $2,25 billion by 1966, an increase of 250 per cent. For the year 1966 the total debt payment, including interest, equalled around $530 million, because some longer-term debts had matured. This sum was larger than the entire national-export income. Even more uncontrollable was the problem of the deficit. Money in circulation by

18 Subroto, 'The Role of Private Enterprise', 26.

19 Batara Simatupang, *Otobiografi DR. Batara Simatupang* (Jakarta: Del, 2012), 63–76. After the fall of the Guided Democracy, Simatupang was not allowed to return to Indonesia and emigrated to West Germany.

20 This was based on Bintoro Tjokroamidjojo's calculations. Population growth rates of 2.8% would have increased the total population in five years by around 11%. Because of a lack of accurate data, it is uncertain which numbers were more representative of reality.

July 1966 had an increase of 23,887 per cent. The government deficit grew from Rp 6.9 million in 1960 to Rp 5,24 billion in the same period. During the latter part of the Guided Democracy, inflation was always above 100 per cent annually. This situation severely affected consumers, as food prices between 1961 and 1966 increased forty-fold, and eight-fold in 1965 alone.[21]

A significant contributor to the economic woes was the reduced efficiency of large parts of the state-owned companies that had previously been under foreign management. Between 1957/1958 and 1960, Dutch nationalized companies were arranged under a variety of government supervisory bodies, grouped according to their industrial field: the BUD for commercial enterprises, Bappit for industry and mining, and New State Estates Company (Perusahaan Perkebunan Negara Baru, PPN-Baru) for industrial estates. These bodies were to be government-owned but managed along business lines.[22] The Presidential Regulation (Peraturan Presiden, PP) No. 19/1960 integrated all government- and non-government owned companies into managerial bodies controlled by the state. The PP also required companies to give 55 per cent of their profits to the government. It dissolved the supervisory bodies and 'ambitiously codified the behaviour of all state enterprises and rigidly laid down rules governing the relationships between them in different sectors of the economy'.[23] Government-owned companies were to be integrated according to the type of industry they operated in, within what were called BPU. Thus, government-owned companies had at least three different layers of management: the ministry, the BPU, and the company management. This caused problems due to conflicting rules and policies.

During the colonial period, state-owned companies had provided a large share of total government revenue. In 1929, they had contributed up to 28 per cent of revenue, although by 1939 this had decreased to 14 per cent. By 1955, the total share of government revenue produced by state-owned companies had declined to 8 per cent. In comparison, taxes had climbed from forming 65 per cent of this total revenue in 1929 to over 90 per cent by 1951.[24] It was thus somewhat odd for the government to expect increased revenues from the

21 Bintoro Tjokroamidjojo, 'Perkembangan dan Evaluasi Tahap Penjelamatan Bidang Ekonomi dan Keuangan', in Bintoro Tjokroamidjojo, *Tulisan-tulisan Administrasi Pembangunan, 1966–1968*, 1–7.

22 J. Panglaykim and Ingrid Palmer, *State Trading Corporations in Developing Countries. With Special Reference to Indonesia and Selected Asian Countries* (Rotterdam: Rotterdam University Press, 1969), 7–8 and 16.

23 Panglaykim and Palmer, *State Trading Corporations in Developing Countries*, 17.

24 Douglas Paauw, *Financing Economic Development. The Indonesian Case* (Glencoe: The Free Press, 1960), 169–70.

profits of state-owned companies. In fact, after 1960, state-owned company contributions to government coffers dipped to a lower level than the credit commitments made by the state banks which effectively subsidized the companies. Contributions declined from a level that just broke even with government credit to a whopping 1/102nd of the credit by 1965, when government credit grew to Rp 527,11 billion with a measly Rp 5,13 billion in return contributions.[25] State-owned companies became a liability.

Another reason for the deterioration of the economy was the reduction in the authority of the Central Bank as an independent body capable of determining monetary policies and thus fine-tuning the economy. Sjafruddin Prawiranegara, the head of the Bank of Indonesia, had resigned in February 1958 and joined the PRRI rebellion. By 1960, the BI had stopped publishing its weekly, quarterly, and annual financial reports. In 1961, the naming of Jusuf Muda Dalam, a PNI Sukarnoist, as the minister for central bank affairs and governor of the Bank of Indonesia, spelled the end of the bank's role as an independent monetary policymaker. Instead, the bank was there to support Sukarno's revolutionary plan.[26]

4 The Dekon: Deklarasi Ekonomi

At its heart, the Dekon was a rehabilitation measure meant to deal with inflation. Thus, monetary policy, that is, the Keynesian fine-tuning of the economy, was the main thrust of the rehabilitation process and its main policy was austerity. The Dekon was vaguely based on the Yugoslavian political-economy model,[27] although to what extent this was the result of studies by Indonesian economists is undetermined. Economists stressed the importance of austerity: 'As long as the government fails to rein in this strong inflation, then first, social efficiency will never be met and, second, the targets of the national plan will never be achieved.'[28] Mohammad Sadli said

25 *Laporan Penelitian tentang Effisiensi Pembelandjaan Perusahaan2 Negara Periode 1960–1966* (Yogyakarta: Biro Penelitian Ekonomi FE-UGM, 1968), 3.

26 Radius Prawiro, *Indonesia's Struggle for Economic Development. Pragmatism in Action* (Kuala Lumpur: Oxford University Press, 1998), 3–4.

27 Mackie, *Problems of Indonesian Inflation*, 38.

28 Mohammad Sadli, 'Effisiensi Perusahaan dan Effisiensi Perusahaan Negara Dewasa Ini', *Madjalah Perusahaan Negara*, 3/28 (April 1963), 22. 'Selama pemerintah tidak dapat mentjegah inflasi jang keras maka, pertama, effisiensi sosial tak akan pernah tertjapai, dan kedua, target2 penanaman Rentjana Nasional djuga tak pernah akan tertjapai.'

of the programme that 'now our price policies are based on more rational principles'.[29]

The Dekon produced two quite different documents: the Deklarasi Ekonomi, announced on 28 March 1963, and, one month later, the May Regulations (Peraturan Mei), announced on 26 May 1963. The Dekon was a philosophical tract concerning the goal of the revolution, while the May Regulations detailed austerity measures and the efforts being made to relieve the economy from the inflationary spiral. Yet, the resulting Dekon had to accommodate various views. This blurring of the focus of the rehabilitation programme allowed for a sustained attack by the communists and, by the end of 1964, their influence had become quite significant, resulting in a shift of emphasis towards expanding worker participation.

Indonesia had, in fact, started reaching out for international help in 1961 when the Humphrey Mission conducted a survey of the Indonesian economy. An IMF loan was procured in August 1961 to the tune of $41 million to help the country's balance of payments. However, Indonesia was refused a loan from the World Bank because it was still required to pay indemnities to the nationalized Dutch enterprises. Indonesia had had strong inflation since 1952, which had accelerated further since 1957 and was lurching towards uncontrollable levels by 1961.[30] By late 1962, the worsening economic situation was worrying Sukarno's inner circle. In November, Djuanda approached American ambassador Howard Jones to ask for American aid. At the same time, the Soviet delegation met with Soebandrio to discuss a trade credit for Indonesia worth $100 million.[31] Foreign Minister Soebandrio also approached the intellectual Soedjatmoko for help in formulating an economic programme for Indonesia.[32] Soedjatmoko was part of a group of Indonesian intellectuals who met regularly to discuss the problems facing the country. According to Sarbini Sumawinata, he and the others in the group saw this request as an important opportunity to draw Sukarno closer to the technocratic group.[33]

Economists including Sarbini Sumawinata, Mohammad Sadli, and Widjojo Nitisastro[34] no doubt contributed to the development of the Dekon. This

29 Mohammad Sadli, 'Stabilisasi Ekonomi sebagai Sjarat untuk Pembangunan Ekonomi jang Effektief', *Madjalah Perusahaan Negara*, 3/33 (September 1963), 8.

30 Mackie, *Problems of the Indonesian inflation*, 2–3.

31 Anwar, *Sukarno, Tentara, PKI*, 189–90.

32 Soebandrio later disowned this claim and stressed that the Dekon was equally affected by communists such as Aidit. Anwar, *Sukarno, Tentara, PKI*, 233.

33 Sumawinata, 'Recollections of My Career', 49.

34 Thee Kian Wie (ed.), *Recollections. The Indonesian Economy, 1950s–1990s*, (Singapore: ISEAS Publishing, 2003), 229.

attempt to reduce the role of the state and allow the implementation of market forces seemed to be a challenge to the socialist experiment of the Guided Democracy. That Soebandrio, a senior member of the Guided Democracy elite, had now requested the help of the economists was a sobering indictment of the failure of the early Guided Democracy experiment. Soebandrio was competing with Djuanda to come up with an acceptable stabilization plan.[35] The Dekon was launched on 28 March 1963 and in May a series of economic and fiscal reforms was announced, price controls were removed, and government subsidies were reduced. Sukarno's projects were halted and the government focused henceforth on agricultural and industrial production.[36]

In late 1962, the USAID mission ramped up its consultations with the economists in Djuanda's entourage. On 14 February 1963, an Indonesian delegation headed by Sutikno Slamet[37] went to the United States for three weeks to hammer out an agreement and discuss debt-rescheduling and loans to Indonesia to the tune of $350 million. The delegation succeeded in convincing the authorities there of the sincerity of the Indonesian efforts to make economic reforms and acceded to stringent conditions. In March, the IMF sent its Indonesian executive director, Mr Sumanang, a former member of the Wilopo Cabinet, to reassure Indonesia that credit would be granted for the economic rehabilitation programme.[38] In November, Indonesia requested the presence of an IMF mission to advise on stabilization measures.[39] A team of ten experts was sent to draft technical details with their Indonesian counterparts. The report was said to have contributed heavily to the May stabilization regulations.[40] The Kennedy Administration was hopeful that the core economic managers and technocrats around Djuanda would be able to wade through the political muck.[41] Debt- rescheduling was an important component of the economic reforms being proposed. In April 1963, Indonesia discussed the issue with the Soviet Union. On 9 December, the United States proposed rescheduling Indonesia's debts to the Development Assistance Committee (DAC), a group of lender nations within the US orbit of influence,[42] and discussed the possibility

35 Anwar, *Sukarno, Tentara, PKI*, 223–4.

36 John H. Sullivan, 'The United States and the New Order', PhD dissertation, American University, Washington DC, 1969, 42–3.

37 Chetwynd Jr., 'The Indonesian Stabilization Attempt', 41. He was a former director of the IMF and former financial adviser to President Sukarno.

38 *Duta Masyarakat*, 26 March 1963.

39 Bunnell, 'The Kennedy Initiatives', 214.

40 Chetwynd Jr., 'The Indonesian Stabilization Attempt', 41–2.

41 Bunnell, 'The Kennedy Initiatives', 75.

42 The Organization for Economic Cooperation and Development or OECD.

of creating a coordinating group for Indonesia.[43] This was a precursor to the later Inter-Governmental Group on Indonesia formed in 1967. Sukarno was convinced that he could get $600 million from America relatively easily.[44] Yet, after a report by the IMF, the government lowered its expectation to $400 million from the US, the World Bank, the IMF, and other DAC members, such as the UK, France, West Germany, and Japan.

Between February 1963, when Indonesia contacted the IMF, and March 1963, when the Dekon was announced, three separate committees were created in order to design and implement the economic programme. The first, the Committee of Five, was formed on 6 February 1963 and headed by Prime Minister Djuanda, Finance Minister Notohamiprodjo, Foreign Minister Soebandrio, Minister of Central Bank Affairs Sumarno, and Minister for Basic Industries and Mining Chaerul Saleh. The committee published a report that was heavily influenced by Djuanda and drafted with the help of his USAID-funded adviser, Bernard Bell, a private economic consultant. Djuanda's staff was successful because he knew many of the Indonesians working at the prime minister's office and there was a degree of trust.[45] Yet, according to Rosihan Anwar, the president rejected Djuanda's plan on 27 February.

In early March, the Committee of Thirteen (Komite Tiga Belas) was created, again chaired by Djuanda, which drafted the basic strategic principles for future policy guidelines. This committee included more 'political' representation, including Dipa Nusantara Aidit and Muhammad Hatta Lukman of the PKI, Ali Sastroamidjojo of the National Front (Front Nasional), Idham Chalid of the Islamic church Nadhatul Ulama (NU) and various other political appointments. It was as part of the Committee of Thirteen that Soebandrio approached the economists and produced what was called the Economic Manifesto (Manifes Ekonomi). It was also through this committee that communist involvement became significant, allowing the communists to claim that the Dekon supported their economic policies. At a later date, the president named the last committee, the Committee of Seven (Komite Tujuh), which was to outline the government's economic policy. It was chaired by Dr Johannes Leimena and was dominated by political figures.[46] The establishment of the Committee of Seven resulted in the further erosion of Djuanda's position, as he was not included in the committee.[47] Djuanda's gradual loss of influence paralleled

43 Bunnell, 'The Kennedy Initiatives', 215.

44 Anwar, *Sukarno, Tentara, PKI*, 218.

45 Conversations about George Wood and the World Bank, S.5583, Oral History Transcript, World Bank Archives, Bernard Bell, personal archives.

46 Chetwynd Jr., 'The Indonesian Stabilization Attempt', 42–5.

47 Anwar, *Sukarno, Tentara, PKI*, 232–3.

Soebandrio's rise.[48] Unlike Djuanda's plan, Soebandrio's plan, co-written by the FEUI, was approved.

The rehabilitation programme was abandoned several months later after receiving little public support and decreasing international support as Western governments gradually lost faith in Indonesia. The 26 May Regulations, which were part of the IMF-endorsed stabilization programme, had dismantled price controls, resulting in increased fares for public transport and other austerity measures. Djuanda's role in coordinating the regulation was central. Other key figures included Finance Minister Notohamiprodojo, Central Bank Affairs Minister Sumarno, State Budget Minister Arifin Harahap, and executive governor of the World Bank and former Bank of Indonesia governor Sutikno Slamet, a good selection of Indonesian professional experts.[49] Prices for postal services, transport, and electricity rose by between 400 per cent and 600 per cent, while the salaries and allowances of civil servants were doubled. A new set of foreign-exchange regulations was introduced: $40 million worth of foreign exchange was released as part of the 'crash programme' to import spare parts and raw materials to support industrial production, and the programme envisaged the halving of the 1963 deficit and its complete elimination by 1964.[50] The reaction from the political class was decidedly negative.

The PKI focused its attack on Djuanda and his heinous crime of 'liberalism'. By 7 September, Sukarno had issued a statement ordering the retraction of the rehabilitation measures.[51] US ambassador Howard Jones announced that if Indonesia created a new cabinet of which the communists were a part, or if Indonesia escalated its Konfrontasi,[52] the IMF deal would be off.[53] This was due to the fact that, since early 1963, the Russians had been pushing for a cabinet that included the PKI as part of the debt-rescheduling negotiation.[54] Even so, because of the vague wording of the Dekon itself, its symbolic use

48 According to Rosihan Anwar, Djuanda was sour about this and did not attend a state meeting on the Dekon. Anwar, 'Pelopor Teknokrat', 216.

49 Chetwynd Jr., 'The Indonesian Stabilization Attempt', 39.

50 Mackie, *Problems of the Indonesian Inflation*, 39.

51 Rex Mortimer, *Indonesian Communism under Sukarno. Ideology and Politics, 1959–1965* (Ithaca: Cornell University Press, 1973), 266–7.

52 Konfrontasi or the Indonesian–Malayan confrontation was a conflict started by Sukarno in opposition to the founding of the Federation of Malaya (Malaysia and Singapore), accusing the Federation as a neocolonialist creation of the United Kingdom. The confrontation occurred between 1963–1965 with Indonesian forces infiltrating Malayan Borneo and conducting operations in the Malay Penninsula and Singapore.

53 Anwar, *Sukarno, Tentara, PKI*, 234.

54 Mackie, *Problems of the Indonesian Inflation*, 37.

was to continue throughout the period and a variety of people would claim to have been the main actors in its inception.[55] It is clear that, in the last instance, the Dekon document accommodated the wishes of both the PKI and the military, rendering it somewhat useless as the legal foundation of the rehabilitation programme. Its implementation was, according to Sjahrir, a ruse by Sukarno.[56]

On 15 May 1963, Sukarno's 'Ambeg Parama Arta' speech, meaning 'to prioritize essential matters', declared further changes to government policymaking. In it, Sukarno announced a series of sweeping changes for the Guided Democracy state. The speech declared the failure of the corporatist project of the early Guided Democracy state and its mascot, the corporatist Depernas body. Sukarno announced that the Depernas was to be incorporated within the executive government and run by the office of the president, similarly to the function of the BPN during the 1950s.

Sukarno's position on experts seems to have changed, at least briefly, during this period. Although he still loathed economists[57] and proclaimed to have no knowledge of the economy in a speech he gave at the FEUI in 1964,[58] he warned members of Parliament that they had no constitutional right to tamper with details and 'matters I consider too complex'.[59] He warned them to stay away from discussions of 'numbers' and other technical issues: 'Let those matters be in the hands of a specialized apparatus, made exactly for the purpose, in order for the job to be conducted in a perfect manner, because this work requires expertise and long work hours.'[60] In March 1964, Sukarno asked for Hatta's help in solving the worsening economic situation, especially with

55 Anwar, *Sukarno, Tentara, PKI*, 236. The communists considered the Dekon to be the work of M. H. Lukman; a member of staff of the BI claimed that it belonged to Djuanda's staff, while an Indian military attaché claimed to have inside information that Prajudi Atmosudirdjo, then former head of the LAN, was involved. As Prajudi was a follower of Sumitro, it was then claimed that the PSI was involved.

56 Anwar, *Sukarno, Tentara, PKI*, 237.

57 For instance, in 1964 Emil Salim was surprised when he returned to Indonesia after finishing his doctorate degree to find that Sukarno had forbidden the reading of Western economic textbooks. Emil Salim, 'Emil Salim', in Thee Kian Wie (ed.), *Recollections: The Indonesian Economy. 1950s–1990s*, 197–8.

58 Soemardjan, 'Public and Private Enterprise', 81.

59 Sukarno, *Ambeg Parama Arta*, 31.

60 Sukarno, *Ambeg Parama Arta*, 32. 'Biarlah hal itu dikerdjakan oleh suatu Aparatur chusus, jang ditugaskan untuk keperluan itu, agar pekerdjaan dapat diselenggarakan dengan lebih sempurna, karena untuk keperluan itu diperlukan keahlian dan waktu-kerdja jang tjukup lama.'

regard to the provision of rice. Hatta, in turn, asked for the help of Sarbini, Saroso Wirodihardjo, and Soedjatmoko in this quest.[61]

5 The Dekon's Economic Measures

As a document drafted by economists, the Dekon was pragmatic in its approach. Its focus on inflation control was in line with the measures that it intended to take to bring the economy to order. The measures included an austerity budget, a focus on rehabilitating the productive sector, the de-concentration and relaxation of controls over private and government-owned companies, the introduction of market mechanisms, the opening up of foreign participation, and increasing social control, that is, the participation of groups such as labour unions and farmers in the decision-making processes of companies through the implementation of company boards. The austerity measures included the elimination of price controls and subsidies, which would result in rising prices all round, but especially in transportation, a change that would badly affect the urban population with their fixed wages.[62] Pushing through the implementation of these austerity measures would have required considerable strength of will from President Sukarno, but it became obvious to many that Sukarno was not willing.[63]

Rehabilitating the productive sector was difficult for a number of reasons, one of which being the difficulty of finding sufficient foreign exchange to import productive goods. Another major problem was the constraints that had been placed on managerial independence at the company level. Mohammad Sadli suggested that the BPUS should become a watchdog, part of the social control that would help to improve the social efficiency of the economy.[64] Thus rehabilitation was intertwined with the need for de-concentration and the relaxation of regulations, allowing companies greater independence to determine levels of production, pricing, profit-making, marketing, and so forth.[65] Companies were free to operate using a business mindset within an

61 Anwar, *Sukarno, Tentara, PKI,* 282. Saroso Wirodihardjo was an economist and the uncle of Sumitro Djojohadikusumo.

62 Bunnell, 'The Kennedy Initiatives', 381–2.

63 Widjojo Nitisastro, *The Indonesian Development Experience* (Singapore: Institute of South East Asian Studies, 2011), xiv. 'In the short term, a stabilization programme to control inflation and a rehabilitation programme to build infrastructure were given particular priority.'

64 Sadli, 'Effisiensi Perusahaan', 18.

65 C. Siahaan, 'Pelaksanaan Dekon', *Madjalah Perusahaan Negara*, 3/31 (July 1963), 14–15.

open environment and without being hampered by regulations of the various ministries and departments and the General Management Boards or regional officials.[66] Although profits were on the increase, there were also increasing levels of state taxation.[67] The gradual relaxation of control over the economy, moving it out of the hands of state bureaucrats, was envisaged. Government Regulation No. 7/1963 was one of the follow-up measures, which gave full autonomy to state trading corporations.[68]

Increased managerial independence from the central government, the BPUS, and the regional governments heralded efforts towards greater deconcentration. The central government's role in the economy was to be gradually reduced. For instance, import and export administration was to be devolved from central to regional offices.[69]

Mechanisms that worked within free-market economies were to be introduced as part of the effort to increase efficiency and productivity. As Sadli phrased it: 'Obviously, the price mechanism which is used in the interest of planning must not be left to its own devices; price mechanisms should be used in a guided manner! That is why the nature of competition is also limited, it is a guided competition!'[70] It was really a socialist competition. The idea of incentives was not merely to introduce market mechanisms, but to reach overall efficiency. Within a socialist economy, efficiency lay not within a particular company but within the overall economy. This was what Sadli termed 'social efficiency'.

Both production-sharing and joint-venture programmes were introduced as means to allow forms of foreign direct investment within the country. Development financing had become a major problem, only made worse by inflation. Introduced in 1962, it was hoped that it would act as a funnel for foreign investment in the extractive sectors of mining and oil. The funds committed were rather limited: $72 million for the period 1962–1966, a small fraction of the foreign borrowing Indonesia accrued. The biggest investment came from

66 Soenarto Soedibroto, 'Aktivitas PDN2 dalam rangka Dekon', *Madjalah Perusahaan Negara*, 3/34 (October 1963), 13–15.

67 In 1960, the profit of state-owned trading companies was at Rp 1.926,9 billion and in 1961 at Rp 1.425,1 billion. The profits given to the Overall Development Funds totalled Rp 503.9 million and Rp 648.3 million. 'Kolonel Soehardiman dihadapan Wartawan2 Ekonomi Ibukota tentang Fungsi BPU-PDN dan PDN2 dalam rangka Perpres No. 7, 1963', *Madjalah Perusahaan Negara*, 3/32 (August 1963), 10–13. By 1965, however, most of the companies had become unprofitable.

68 Panglaykim and Palmer, *State Trading Corporations in Developing Countries*, 70.

69 Sukarno, 'Deklarasi Ekonomi', *Madjalah Perusahaan Negara*, 3/28 (April 1963), 8.

70 Sadli, 'Effisiensi Perusahaan', 22.

the Japanese at over $44 million. Western Europe provided some $15.5 million and Eastern Europe over $12 million.[71]

Lastly, the ideas of social control, social support, and social participation became essential components of the reform process. The failure of the Depernas project and its incorporatist forms of national planning had not lessened Sukarno's support for some form of participation that should be extended into the wider economy. If national planning had to be returned to within the central governing bodies of the Bappenas–Muppenas at the company level, the participation of social organizations should be achieved through access at the managerial level. The creation of the company boards thus allowed for the participation of trade union organizations within the policymaking bodies of companies and was an effort to democratize managerial relations within companies. The company boards were intended to change the labour–management relationship from one of employment to one of human and social relations, with the aim of increasing the quality of production.[72]

6 Criticism from the PKI

The failure of the Dekon was understood to be the result of the inability of Sukarno's government to maintain discipline. The beginning of the Konfrontasi with Malaysia and Singapore shifted the political focus, while austerity measures were not maintained. Popular support for the economic rehabilitation programme remained low. Bunnell has suggested that the reason for this was that the business sector represented only a small percentage of the Indonesian urban population. The vast majority of Indonesians were farmers, whose lives were less affected by the monetary sector of the urban economy. At the same time, the bureaucracy and the military were protected from inflation through a combination of government subsidies and corruption.[73] The support for the programme from urban wage earners was understandable when it is considered that wages were lagging behind price increases due to the easing of price controls and the removal of some government subsidies.[74]

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71 Joyce Gibson, 'Production Sharing: Part II', *Bulletin of Indonesian Economic Studies*, 4/2 (1966), 75–100.

72 Nurdjaman, 'Dewan Perusahaan sebagai Alat Revolusi dalam kerangka Tata Susunan Perusahaan Indonesia', in *Kumpulan Kertas Karya Musyawarah Besar Sardjana Ekonomi. Djakarta, 15 Djuli 1964*, Jilid I (Jakarta: Jajasan Badan Penerbit, 1964).

73 Frederick Phillip Bunnell, 'The Kennedy Initiatives in Indonesia, 1962–1963', Thesis, Graduate School of Cornell University, 1969, 411–12.

74 Bunnell, 'The Kennedy Initiatives in Indonesia, 1962–1963', 381.

The PKI immediately launched opposition to the May Regulations. The Youth Front (Front Pemuda) said that it benefited only the capitalist bureaucrats, compradors, and corruptors.[75] Carmel Budiardjo attacked its Western economic viewpoint for failing to link the problem of inflation with the problems of production.[76] The production approach was meant to 'concretely free the productive forces which would push through the basic strategy of the Indonesian economy'.[77] The communists championed this shift from monetary policy to production policy because it would provide them with access to the so-called bureaucratic capitalist productive economy, which was in the hands of the military.[78] The process of de-concentration was also attacked. The communists wanted more government intervention, not less. According to Budiardjo, 'the corruptors, who had to be eliminated through changing the price policies, by eliminating price controls, and by letting the price of government-owned companies meet market prices, were not eliminated. In fact, they grew because their actions were no longer supervised by the government.'[79]

In other words, according to the communists, the floating of the currency and the reintroduction of market mechanisms had no effect on eliminating inflation. Budiardjo argued that the only way inflation could be handled was through the structural incorporation of the working class in the economy, which would allow them to participate in the management of companies and the economy. This was what the communists understood by the idea of social control: the control of the economy by 'society'.

7 Communist Views

The international context of the Cold War was well understood by both military-leaning and PKI-leaning economists and intellectuals. PKI sympathizers, such as Carmel Budiardjo and J. B. A. F. Major Polak, a former PSI

75 'Mengobarkan Gerakan Anti-Korupsi dan Menatasi Krisis Sandang-Pangan. Memorandum Front Pemuda', in *Perekonomian Nasional*, 4/47 (December 1964), 21–3.

76 Carmel Budiardjo, 'Melaksanakan Dekon dengan Konsekwen. Kesulitan Ekonomi Dewasa Ini Dapat Diatasi', *Perekonomian Nasional*, 4/47 (December 1964), 9–11.

77 Budiardjo, 'Melaksanakan Dekon dengan Konsekwen', 9–11.

78 Kabir: kapitalis birokrat.

79 Budiardjo, 'Melaksanakan Dekon dengan Konsekwen', 11. 'Tukang2 tjatut jg mau dibasmi dengan mengubah politik harga ketika itu, jaitu menghapus sisteem pengendalian harga dan membiarkan harga2 pendjualan badan2 milik pemerintah menjesuaikan diri dengan harga pasar, bukannja dibasmi, tetapi lebih berkembang karena kegiatan2nja sudah tidak diawasi lagi.'

politician, openly discussed the Cold War front, the dangers of Kennedy's shift of emphasis to politicized foreign aid, and his obsession with guerrilla warfare, as explained by Stewart Alsop.[80] The threat of the America-dominated Bretton Woods institutions and the Alliance for Progress was voiced after the IMF-influenced Dekon in 1963. Aidit warned of the dangers of American neocolonialism through aid and pointed to the case of Brazil.[81] In an article in the communist newspaper *Harian Rakjat*, he commented that 'pragmatism is always praised as a "practical" philosophy and that the "practicality" of pragmatism has an evil but practical role for the imperialist'.[82] This was an attack against what he saw as Indonesia's appeasement of the IMF and against the Indonesian economic reform programme.

The shift towards seeking the advice of experts during the late Guided Democracy highlights a period of intellectual feuding between American-trained economists and PKI-affiliated economists. Mohammad Sadli commented that, 'within FEUI there was a political struggle with Carmel Budiardjo and other left-wingers in the Faculty'.[83] The HSI became a contender for the LPEM, publishing works that focused on the dangers of American intervention. It included intellectuals such as F. Runturambi from the Central All-Indonesian Workers Organization (Sentral Organisasi Buruh Seluruh Indonesia, SOBSI), a PKI-affiliated labour organization, Professor Ernst Utrecht, and Drs. Soerjadi, the minister for budgetary affairs.

An examination of Aidit's speeches and of his paper on the Dekon and the economy in general provides a picture of the position of communist ideas vis-à-vis those of the experts trained in the US. It was all about the application of what they termed a production policy that would work against the monetary stabilization advocated by FEUI economists.[84] 'It has been the case for too

80 J. B. A. F. Major Polak, 'Pembahasan Atas Prasaran Ke-II', in Sukirna, *Untuk Pelaksanaan Dekon. Hasil-hasil Seminar Ekonomi jang Diselenggarakan oleh Lembaga Ilmu Ekonomi HSI* (Jakarta: Departemen Urusan Research Nasional, 1964), 174–92.

81 *Harian Rakjat*, 29 January 1963.

82 *Harian Rakjat*, 27 March 1963. 'Filsafat imperialis adalah pragmatisme, jaitu filsafat jang mengukur segala sesuatu dari sudut apakah akan membawa keuntungan2 bagi saja atau tidak.' Pragmatisme selalu dipudji2 sebagai suatu filsafat jang "praktis" dan ternjata bahwa sifat "kepraktisan" dari pragmatisme memang mempunjai peranan jang djahat tetapi praktis benar bagi kaum imperialis sendiri.'

83 Sadli, 'Recollections of my Career', 38–9.

84 According to Penders and Sundhausen, *Abdul Haris Nasution,* 164, 'the PKI had nothing to gain from an improvement of the living conditions of the masses; this would have diminished its opportunity to mobilize them for its purposes and, moreover, would have brought the "PSI-leaning" technocrats back into positions of economic power'. Even if it were so, it would seem too hasty to dismiss communist ideas on economic development.

long that Indonesian economics experts have taken a position of ignorance regarding political issues and have tried to present the problems of the economy as merely a technical matter, with laws that "were assumed to apply in all ages", which stemmed from a subjective viewpoint and ignored the objective reality that exists within society.'[85] According to the communists, economic policymaking should have been derivative of the political process and the national goal of the revolution. As Aidit phrased it: 'The viewpoint that socialism can be implemented without first dealing with the national democratic effort, that is, the ending of the residues of imperialism and feudalism, is intolerable.'[86]

The communists supported two laws introduced in 1960 as heralding the ending of imperialism and feudalism in the country: the Regulation on the Agreement of Joint Revenue Sharing (Undang-undang Perdjandjian Bagi Hasil, UUPBH) and the Regulation on Basic Agrarian Principles (Undang-undang Peraturan Dasar Pokok Agraria, UUPA). According to the communist interpretation, the UUPBH would prohibit foreign direct investment by diverting it to revenue-sharing projects. This was a victory over imperialism, as it limited the role of foreign enterprises. The continued nationalization of British and American-owned enterprises during the period 1963–1965 was also part of this anti-imperial strategy. The UUPA would destroy what was known as the landlord class of the agricultural community through a process of land redistribution. This land-ownership reform formed the anti-feudal strategy.

The clash between 'Western' and communist economists occurred over these strategies. Aidit accused Sumitro of siding with imperialists and feudalists because he blamed Indonesian poverty on the population's lack of savings. This was part of the reigning Harrod–Domar model, which saw the root of poverty as being a result of the subsistent nature of the economy and the lack of reinvestment in production, that is, an acknowledgement that growth can only occur when the rate of savings is greater than the capital output ratio

85 Dipa Nusantara Aidit, *Pemetjahan Masalah Ekonomi dan Ilmu Ekonomi Indonesia Dewasa Ini* (Jakarta: Jajasan Pembaruan, 1964), 4. 'Sudah terlalu lama kaum sardjana ekonomi Indonesia pada umumnja mengambil sikap masa-bodoh terhadap masalah politik dan berusaha membahas masalah ekonomi sebagai masalah jang bersifat teknis melulu, dengan hukum-hukum "jang berlaku untuk semua zaman" jang bertolak dari pandangan-pandangan subjektif dan mengabaikan kenjataan objektif jang hidup didalam masjarakat.'

86 Aidit, *Pemetjahan Masalah Ekonomi*, 6. 'tidak dapat ditolerir lagi pendapat bahwa sosialisme bisa diselenggarakan tanpa menjelesaikan lebih dahulu perdjuangan nasional-demokratis, jaitu tanpa menghabis-tamatkan lebih dahulu sisa-sisa imperialisme dan feodalisme.'

and the growth of the labour force.[87] The solutions they propounded were the injection of capital by foreign direct investment or loans and the incentivizing of Indonesians to save their incomes.

It was an analysis that, according to the communists, lacked a social component and misunderstood the nature of Indonesian rural society. According to them, the reason for the lack of savings lay not in the lack of a propensity to save among the Indonesian farmers and labourers, but in the rent-seeking activities of bureaucratic capitalists, foreign-enterprise owners, and the landlords in the villages. The main criticism against Western-educated economists was that they harboured apolitical ideas. Aidit continued: 'The most significant contributor to this evil analysis is Sumitro, a person who is famous and well known to be rebellious and traitorous to the Republic, but whose equally traitorous and heinous economic theories have not yet been properly disrobed and are given an important place in our universities and still colour the thinking of the officers that man our economic-policy apparatuses.'[88]

The PKI had always held an ambiguous position in relation to experts and intellectuals. In many communist movements outside Indonesia, intellectuals represented a major part of the communist movement, yet in Indonesia this was not the case. The lack of expertise in the nation meant that the vast majority of university graduates had an almost assured position in government jobs and there was no pool of unemployed intellectuals.[89] In the early 1950s, the communists still regarded intellectuals as an important part of the movement, but aside from the HSI and the People's Cultural Institute (Lembaga Kebudayaan Rakjat, Lekra) – an artists' and writers' organization – there was no prominent intellectual organization within the PKI. The attack on intellectuals was accentuated by the conservative nature and 'reactionary' position taken by the apolitical Indonesian economists. As a result, the PKI supported a non-expert, participatory approach to economic problems. The failure of the rehabilitation programme known as the May Regulations supported this idea:

87 Robert M. Solow, 'Growth Theory and After', *The American Economic Review*, 78/3 (June 1988), 307–17. In a work published in 1957, Solow contributed to the theory by adding technology as a factor that increases productivity growth.

88 Aidit, *Pemetjahan Masalah Ekonomi*, 12. 'jang paling "berdjasa" dalam menjebarkan analisa jang djahat ini jalah Sumitro, seseorang jang sudah terkenal dan sudah telandjang bulat sebagai pemberontak dan pengchianat terhadap Republik, tetapi jang teori-teori ekonominja jang sama chianat dan sama djahatnja belum tjukup ditelandjangi, masih mendapat tempat dalam perguruan-perguruan tinggi kita dan masih mendjiwai pegawai-pegawai tinggi dalam aparatur ekonomi kita.'

89 Donald Hindley, *The Communist Party of Indonesia, 1951–1961* (Berkeley: University of California Press, 1964), 183–184.

> This signified the triumph of the Indonesian people, because for the first time our people can directly and actively determine government policy on economic matters, a field that has long been considered to be beyond the ken of the people, a field that it was said can only be thought of and discussed by certain experts, whose expertise has failed us in dealing with the economic and monetary issues at hand.[90]

The idea of production policy thus belittles the problems of inflation and the monetary approach. Keynesianism was the target of recrimination for both Sukarno and the communists. Yet, the attacks on Western-educated experts such as Sumitro Djojohadikusumo had a strawman-like quality. Carmel Budiardjo's idea of fair practices for small agricultural producers and better access to capital and foreign markets[91] was not received particularly poorly by people like Widjojo Nitisastro, whose work had also focused closely on small agricultural producers.[92] As Runturambi of the SOBSI said: 'The believers in these economic theories ruminate night and day to find a "new theory" that is not Russian, not Chinese, not totalitarian and that does not use the formulas commonly used by anti-communist and anti-Nasakom lecturers within and outside the country. When they find it too hard to call their theories socialist, they use the American term "people's capitalism".'[93] That economic policy meant

90 DN Aidit, *Dekon dalam Udjian* (Jakarta: Jajasan Pembaruan, 1963), 8. 'ini menggambarkan suatu kemenangan bagi Rakjat Indonesia, karena dengan ini berarti bahwa untuk pertama kalinja Rakjat kita setjara langsung dan aktif ikut menjusun politik Pemerintah dibidang ekonomi, jaitu sudatu bidang jang selama ini dianggap sebagai bidang terlarang untuk Rakjat, suatu bidang jang katanja hanja dapat difikirkan dan diperbintjangkan oleh tenaga-tenaga ahli tertentu jang sudah terbukti sama sekali tidak berhasil mengatasi kesulitan-kesulitan ekonomi dan keuangan selama ini.'

91 Carmel Budiardjo, 'Perdagangan Luar Negeri: Segi Dalam Negeri (Produksi dan Marketing) dan Segi Luar Negeri (Neratja Pembajaran)', in Sukirna (ed.), *Untuk Pelaksanaan Dekon. Hasil-hasil Seminar Ekonomi jang Diselenggarakan oleh Lembaga Ilmu Ekonomi HSI* (Jakarta: Departemen Urusan Research Nasional, 1964), 71–101.

92 This, what is now termed a 'pro-poor' policy focused closely on rural agricultural development, an important component for the success of New Order development. Jan Kees van Donge, David Henley and Peter Lewis, Tracking Development in Southeast Asia and Sub-Saharan Africa: The Primacy of Policy', *Development Policy Review*, 30, s.1 (February 2012), 12–16.

93 Runturambi, 'Potensi Ekonomi dan Kekuatan Politik sebagai Landasan Pelaksanaan Deklarasi Ekonomi', in Sukirna (ed.), *Untuk Pelaksanaan Dekon. Hasil-hasil Seminar Ekonomi jang Diselenggarakan oleh Lembaga Ilmu Ekonomi HSI* (Jakarta: Departemen Urusan Research Nasional, 1964), 29. '[…] penganut teori ekonomi itu seperti siang dan malam hanja berfikir bagaimana bisa menemukan "teori baru" jang bukan Rusia, bukan RRT, bukan totaliter dan matjam2 rumus jang lazim digunakan oleh lektur anti komunis dan anti Nasakom didalam dan diluar negeri. Malahan kalau sudah terlalu sulit memalsu

nothing without political control was understood by both sides; Runturambi's article was titled 'Economic Potential and Political Power as the Foundation for the Implementation of the Dekon'. Along with the belief in an agricultural approach to development, it represented ideas that were agreed upon across the board. The struggle was a political one for authority and legitimacy as much as one of basic economic theory.

8 Regional Development and the Military

The problems related to regional development were apparent to those studying the integration of former rebel areas in places such as Northern Sumatra. J. E. Ismael's visit to the area from October 1961 to February 1962 highlighted the enormous problems related to integrating national development planning with regional government capabilities:

> In Indonesia, the National Overall Development Plan has become a reality. Various projects will be built throughout the regions; some are not yet explicitly detailed, and others will be built to complement other projects. As a result, the National Overall Development Plan is functioning as an index in its initial phase, similar to Russia's Gosplan development plan, and will ultimately form an 'integrated regional development plan'.[94]

Mohammad Sadli observed that 'regional development was an "ideological commitment" of socialism, at least within the socialism that was practised in countries ruled by communists'.[95]

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sosialisme dan terpaksa harus menggunakan istilah kapitalisme dipilihlah istilah "kapitalisme kerakjatan" model Amerika Serikat.'

94 J.E. Ismael, 'Beberapa Aspek Institusionil dalam Pembangunan Nasional dan Daerah', in Sukirna (ed.), *Laporan Kongres Ilmu Pengetahuan Indonesia Kedua, 1962,* Djilid IX: *Seksi E–3* (*Ekonomi*) (Bogor: Archipel, 1962), 130. 'Di Indonesia sekarang ini PPNSB sudah mendjadi kenjataan. Projek2 jang akan dibangun tersebar didaerah2, ada jang belum lengkap terperintji, dan ada pula jang perlu dikomplemenkan. Dengan demikian maka: PPNSB mendjalankan fungsi sebagai index dalam permulaan proses penjusunan rentjana pembangunan oleh Gosplan di Sovjet Rusia, atas dasar dan sekitar mana daerah menjusun rentjana pembangunannja, jang kesemuanja achirnja harus berwudjud mendjadi suatu "integrated regional development plan".'

95 Mohammad Sadli, 'Beberapa Segi Masalah Pembangunan Daerah di Indonesia', in *Laporan Kongres Ilmu Pengetahuan Indonesia Kedua, 1962*, Djilid IX: *Seksi E–3* (*Ekonomi*) (Bogor: Archipel, 1962), 97. 'Pembangunan daerah djuga merupakan suatu "ideological

There was a deep realization that the economic problems in socialist societies were problems related to the political economy. The problem of justification within the acuteness of the economic rationality of the economic model had to be solved. Mohammad Sadli asked the question:

> To an economic expert the problem is a question of conscience (*gewetensvraag*), meaning does he need to find a 'justification' for all the deviations from resource allocation that matches pure economic considerations in a way that the decisions can be accounted for from an economic perspective? Or should he consider these deviations as an unwarranted but unavoidable aspect of his economy, as part of the social cost of economic development, as a necessary waste?[96]

The answer, according to Sadli, lay in the creation of a development leadership. Yet, instead of pointing a finger at the nascent managers, he pointed to the obvious leaders of the regions during the period: the military.[97]

> The current military men have power over a wide area. Although they admit to the importance of regional development, they are often unable to collect the funds and forces needed to start this development. Despite this, because they are the most powerful group at present, their potential to play a role in development leadership is great. Of course, the mental

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commitment" dari sosialisme, setidak2nja sosialisme seperti jang diamalkan dalam negeri2 jang dewasa ini diperintah oleh kaum komunis.'

96 Sadli, 'Beberapa Segi Masalah Pembangunan Daerah', 94. 'Bagi seorang sardjana ekonomi masalah demikian merupakan suatu "gewetensvraag", artinja haruskah ia mentjari suatu "justification" untuk penjimpangan2 dari resource allocation menurut pertimbangan2 ekonomi jang murni sedemikian rupa sehingga achirnja keputusan2 ini dapat dipertanggung-djawabkan djuga dari segi ekonomi? Ataukah ia harus bersikap bahwa penjimpangan2 ini sebetulnja tidak dapat diharapkan kefaedahan ekonominja tetapi harus diterima sebagai bagian dari "social costs of economic development", jakni jang bersifat "waste" (tetapi "necessary waste").'

97 According to Mrazek, 1959 was an *annus mirabilis* during which the military began to enter into the politics of various young states and, more importantly, the academic community began to entertain the possibility of supporting military managers as modernizers. Mrazek, *The United States and the Indonesian* military, 14. Peter Dale Scott considered 1958 to be an important year as this was when new mandarins, including Edward Lansdale and Guy Pauker, started selling the military as a possible modernizing candidate. Scott, 'Exporting Military-Economic Development', 210. Bradley Simpson argued that 1963 was the important year in this regard, as it was when military modernization theory became widely accepted in policymaking circles in Washington. Simpson, *Economists with Guns*, 71–2.

capabilities and understanding, the tools and willpower must be attended to. At the moment, and as has been the case for the last couple of years, they occupy a dubious position. They are in charge of security but not in direct charge of welfare. But increasingly there has been greater awareness amongst them that regional security cannot be separated from the welfare of the people and that this cannot be separated from economic development. Thus, lately they have been more responsible for the welfare and wealth of the regions. Security is a complex issue and is not purely a military or police problem. If the problem of security has become such a complex issue then everyone is responsible for general welfare; even during times of military law (SOB), it is not purely the responsibility of the military, as it is not purely the responsibility of civilians during peacetime. It requires a collective sense of responsibility, at least between military and civilian groups on the matters of security, welfare, and economic development. Does that mean that the military and civilian, the green and white shirts should become pioneers of regional development? The concept of such leadership is autocratic and may not be effective in the long run, but such an autocratic approach may be strong enough to create a momentum to kick-start development.[98]

98 Sadli, 'Beberapa Segi Masalah Pembangunan Daerah', 118–19. 'Kaum militer dewasa ini sering mempunjai kekuasaan jang tersebar didaerah. Biarpun mereka ini mengakui pentingnja pembangunan daerah, namun sering merekapun merasa tidak mampu untuk menghimpun "funds and forces" untuk memelopori pembangunan ini. Biarpun demikian, djustru oleh karena golongan ini dewasa ini adalah jang paling berkuasa, maka potentiil merekalah jang paling mampu untuk memainkan peranan development leadership ini. Sudah tentu mentale instellingen, begripnja, peralatannja dan kemauannja harus dipupuk terus. Pada saat ini, serta djuga dibelakang hari, posisi mereka agak dubieus. Mereka bertanggung djawab atas keamanan, tetapi tidak langsung atas kemakmuran. Akan tetapi, lambat laun telah timbul suatu keinsjafan dikalangan mereka bahwa keamanan daerah tidak dapat dilepaskan dari kesedjahteraan rakjatnja, dan ini tidak dapat dipisahkan dari pembangunan ekonomi. Maka achir2nja merekapun merasa bertanggung djawab atas kesedjahteraan dan kemakmuran ini. Akan tetapi, dengan demikian maka soal keamanan mendjadi masalah jang komplex, tidak hanja berupa masalah militer atau polisionil. Kalau masalah keamanan mendjadi demikian komplexnja maka sebetulnja semua fihak bertanggung djawab terhadap masalah kesedjahteraan pada umumnja; dalam masa SOB-pun bukan fihak militer sadja, dan dalam masa damai bukan fihak sipil sadja. Ini memerlukan rasa tanggung-djawab kolektip, setidak2nja antara kaum militer dan kaum sipil terhadap masalah keamanan, kesedjahteraan dan pembangunan ekonomi. Apakah lalu kaum militer dan sipil ini, kaum badju hidjau dan badju putih bersama2 dapat mendjadi pelopor dalam pembangunan daerah? Konsep pimpinan demikian masih tetap otokratis dan mungkin tidak akan effektip untuk masa jang pandjang. Akan tetapi approach jang serba otokratis ini mungin tjukup kuat untuk menimbulkan suatu momentum untuk permulaan pembangunan.'

The argument that military autocracy was necessary to regulate the immediate problems of a political economy was one that was openly expressed by economists during the period. Sadli's views were congenial to the military elite; enough for Colonel Soewarto of the Seskoad, an old friend of Sadli from his Yogyakarta days, to invite him and his economic friends at the FEUI to teach there.[99] Both Sadli and Suwarto saw this as a rational solution to an intractable societal problem. Economic planning and military leadership, or at least military participation, had assumed considerable importance within the Guided Democracy state. It was not certain whether the extent of the contribution from the military to corruption was understood amongst economists. The reports of the Bapekan, for instance, may not have been made available to intellectuals.

Importantly, the idea was not purely of military rule, but of a rule shared between the green and white shirts. Thus, Presidential Decision No. 655/1961 on Regional Planning (Keputusan Presiden No. 655/1961 tentang Perentjanaan Daerah) recreated regional governance within a Tjatur Tunggal system that put the military regional commander in power, at least for the duration of the military emergency. The ideas of civic action and development were thus very much intertwined. Ibrahim Adjie said this of the army's connection to development: 'War is not the goal of the military; the goal of the military is to uphold the welfare and honour of the nation so as to be level with the most advanced nations in the world.'[100]

Where were the managers in this picture, then? Was there such a deep distrust of the capability of Indonesian management that economists such as Mohammad Sadli put their trust in the military men? Panglaykim's study of the Soviet system noted two distinct generations: a politicized managerial elite – what Joseph Berliner called the 'Red Directors' – who obtained their positions through their political affiliations and roles during the revolution, and a new, educated elite, who were products of the new education system and had a professional attitude to management. In the words of Panglaykim: 'In my viewpoint, the executives trained during the revolution and those who have had a formal education are very different. Those who have had a formal education are educated to direct their energy and minds to the service of the state and are interested in creating the largest industrial nation on earth. Thus, those with education as their capital form a very worthwhile corps.'[101]

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99 Mohammad Sadli, 'Mohammad Sadli', in Thee Kian Wie (ed.), *Recollections. The Indonesian Economy, 1950s–1990s*, 125.

100 Adjie, 'TNI dan Civic Mission', 13.

101 Panglaykim, 'Beberapa Aspek Struktur Management', 172–3. 'Menurut pandangan kami memang berbeda sekali para eksekutif jang telah dilatih pada masa revolusi dan mereka

9 Conclusion

The series of institutional reforms that was conducted during the Guided Democracy resulted in several significant developments. First, the failure of corporatism in national planning, as exemplified by the Depernas, led to a push for the inclusion of experts and managers in the managing of national and regional policies. Second, the Bappenas–Baperdep–Bakopda structure offered the potential for greater centralized control. The fact that the Bakopda conformed to the Tjatur Tunggal structure meant that the regional governments were finally recreated under the authority of regional planning agencies in which managers – military and civilian – were able to partipate. Instead of decentralization, the New Order state did away with regional democracy and regional government. It instituted a form of national and regional military control with the cooperation of both the Pamong Praja and the managers.

In the early 1960s, Western-educated economists trained their sights on studying and understanding the development of socialist institutions in communist countries. Using the examples available in various communist countries, their goal was to create a socialist model that would allow for some inclusion of market mechanisms, market incentives, decentralization, de-concentration, and a general reduction of state intervention in the economy. The PKI attacked their focus on the problems of inflation and the usage of monetary and fiscal policies, considering it part of a larger Western conspiracy to derail the revolution. The monetary policy was considered by the PKI as merely supporting the corruption of 'capitalist bureaucrats', the derogatory term used for managers, especially military managers. Instead, the communists advocated the greater inclusion of workers in what they called production policy.

jang telah memperoleh pendidikan formil. Mereka jang memperoleh pendidikan formil memang terdidik untuk mentjurahkan tenaga dan fikiran bagi kepentingan negara dan berkehendak mentjiptakan suatu negara industri jang terbesar didunia. Dengan modal pendidikan, mereka merupakan suatu corps jang berharga sekali.'

Conclusion

This book argues that to understand the rise of the New Order state an analysis is required of the way in which post-independence elite creation shifted during the 1950s as a result of the impingement of the need for state-led development: the rise of the so-called managerial state. The rise of a new managerial elite prompted Sukarno's decision to co-opt this new group into a corporatist form of developmental state. As we have seen, there was a difference between the objective of the new managers to create stable efficiency and Sukarno's tendency to thrive in political crisis whether in nation-building or in a confrontation with imperialism, be it in Papua or Malaysia. Yet, this was not so much a clash as it was a feature of the Guided Democracy state: counter-insurgency institutions to combat separatism and control the Outer Islands had been in place since 1957 and continued to develop even after the fall of Sukarno with the New Order's military pacification campaign in Papua, Aceh, and East Timor. This combination of managerial efficiency and societal control and counter-insurgency appears to have developed during the Guided Democracy and continued after its end. Sukarno's main problem was his inability to create the kind of environment that was conducive to development in this new state–society relationship. Instead, he maintained his dream of incorporating the various elements of society, whether communist or Islamic, and society's organization as a means of ensuring society's participation in the state. The main problem with the communists was not that they had the potential to usurp state power itself, but that they were a form of non-governmental or non-state power locus that destabilized the position of the managers. The managerial state had a strong and rigid hierarchy of authority that was, in many ways, antithetical to civil society.

This, perhaps, explains why the rise of the New Order state had an extremely violent character. Should we imagine the destruction of the communist party as being akin to a military counter-insurgency operation, a tactic that the army had deployed to combat separatism and fanaticism since the late 1950s? Should we also consider that it was not merely the PKI that was the target of destruction but Indonesian civil society itself and the concept of a non-state power locus? Disciplining the population through strategies of control had been on the agenda of army and civilian managers since the Guided Democracy period. The application of control strategies during Suharto's reign through indoctrination courses, Civic Action programmes, and counter-insurgency operations in far-flung regions like East Timor, Aceh, and West Papua showed the extent to which the Guided Democracy model continued to be deployed throughout the

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remainder of the twentieth century. The 1971 parliamentary (MPR) decision to depoliticize Indonesian society and implement the 'floating mass system' was part of this emasculation of civil society. The killings of gang members in the 1980s and the dumping of their bodies on the streets as a spectacle of violence[1] were effective because of the indistinguishability of these victims from the rest of Indonesian society. The fear of being labelled a communist during this period was also based on the lack of a distinctive physical, cultural, and mental picture of the 'enemy'. Its effectiveness lay precisely in this fungible nature of the Indonesian. In this context, the enemy of the state could be any Indonesian. The New Order actively sidetracked discussions on distinctive identities, for instance banning discourses of the 'SARA' groupings – *suku* (ethnicity), *agama* (religion), *ras* (race), and *antar-golongan* (inter-group relations) – as both an effort to create a united *Indonesian* national identity and as a way to ensure the blurring of the boundaries between Indonesians: the enemies of the state and its citizens became one.[2] This was seen as Indonesia's communist spectre, but what really became a spectre was not communism but civil society itself.

Indonesia's managerial state thus required not engagement with civil society but its reduction under a simplified grouping that separated the managers of the state and the economy from the rest of the population. The deeply held suspicion of civil society and representative democracy had its roots in Indonesia's experience of parliamentary democracy in the 1950s, yet I would argue that such a viewpoint was also ideologically generated from scientific management and public administration science. The proponents of scientific management during the period were suspicious of democracy – recollect one of the foremost scholars of public administration during the period, Dwight Waldo, and his fear that democracy would reduce efficiency.[3] In the context of Western society, a strong tradition of rule of law and belief in liberal values contained this suspicion, yet in a country that had a strong dislike of

1 See James T. Siegel, *A New Criminal Type in Jakarta: Counter-Revolution Today* (Durham: Duke University Press, 1998).

2 M. M. van Bruinessen, 'Islamic State or State Islam? Fifty Years of State–Islam Relations in Indonesia', in Ingrid Wessel (ed.), *Indonesien am Ende des 20 Jahrhunderts* (Hamburg: Abera-Verlag, 1996); Graeme MacRae, 'If Indonesia is Too Hard to Understand, Let's Start with Bali', *Journal of Indonesian Social Sciences and Humanities*, 3 (2011), 11–36; Christian Chua, 'Defining Indonesian Chineseness under the New Order', *Journal of Contemporary Asia*, 34/4 (2004), 465–79.

3 Waldo, *The Administrative State*; Mark J. Gasiorowski, 'Democracy and Macroeconomic Performance in Underdeveloped Countries: An Empirical Analysis', *Comparative Political Studies*, 33/3 (2000), 319–49; Erik-Hans Klijn and Chris Skelcher, 'Democracy and Governance Networks: Compatible or Not?', *Public Administration*, 85/3 (2007), 587–608, and others.

liberalism, this suspicion reached greater heights. There were many books in the West warning of the dangers of liberalism and a whole panoply of neoliberal thoughts originating from European social science, including the Austrian School of Economics and stalwarts such as Friedrich Hayek and Ludwig von Mises, and later its Chicago variant, with the famous Milton Friedman.[4] It is also worth mentioning that many of the most famous technical experts working in Indonesia believed in liberal values such as democracy, human rights, and the rule of law. We can perhaps see their position as being on a slippery slope: scientific management provided legitimation for a bias towards a particular form of state–society relations, and this was then extended by Indonesians with no pretentions of liberal values to its logical conclusion.

This book has tried to present the development of this managerial class and the ideology that was carried by them during the transition period of the Guided Democracy. It has shown that the rise of the managerial class could not be separated from the creation of an international technical-aid structure that was built to help newly independent post-colonial nation-states modernize and develop. The introduction of a series of institutions that catered to their position legitimized their role as the elite of the new state: the Five-Year Plan, the universities and officer schools, the management classes, and so on. Following on from this was the development of new sciences: macroeconomics and developmental economics, public and business management science, industrial and labour relations, industrial engineering, and so forth. Various new tools and technologies, from the calculation of national productivity through tools such as GDP/GNP to labour programmes such as Training Within Industry, provided an indispensable distinction between the managers and the general public. Many in the upper echelon of this elite became part of the 'community of scholars' who had personal relationships with fellow scholars and officers in American universities and officer schools. The inter-institutional relationships between universities and other institutions continued to grow. It was these managers who could read graphs, conduct tests, and implement programmes – all of which were essential for the modernization of society. These managers and their military counterparts became the Praetorian Guard for the successful implementation of democratization, while at the same time securing access to investment in Indonesia's massive natural resources.

4 Friedrich August Hayek, *The Fortunes of Liberalism: Essays on Austrian Economics and the Ideal of Freedom*, Vol. IV (Chigaco: University of Chicago Press, 2012); Robert A. Lawson and Jeff R. Clark, 'Examining the Hayek–Friedman Hypothesis on Economic and Political Freedom', *Journal of Economic Behavior & Organization*, 74/3 (2010), 230–9.

No doubt the implementation of this ideology could be seen as a positive move for the welfare of the people. In 1994, a famous World Bank publication named Indonesia alongside South Korea, Taiwan, Thailand, Malaysia, and others as one of the so-called Asian Miracle economies.[5] The miracle took the form of high economic growth with increasing equity; thus, these economies were not only getting richer but also becoming fairer. The managerial state replaced parliamentary democracy with a structured programme through which the state had extensive control of Indonesian society. This resulted in the formation of a relatively strong developmental state that was able to create significant economic growth of around 7 per cent per year for much of its reign, reducing poverty and integrating Indonesia into the global economy. It expanded education and created the basis for a sustained industrialization policy. It made pro-rural and pro-poor public-goods investments that resulted in a great reduction in rural poverty, particularly in Java, and were seen as a continuation of the security idea behind the Civic Action programme of the 1950s and 1960s. It heralded an expanding middle class in the 1980s and 1990s, and saw significant growth in manufacturing after the deregulation actions implemented in the 1980s by a new generation of technocrats that was open to neo-liberal ideas.

Yet, it lacked democracy and respect for human rights. It perpetrated violence against many of its citizens and implemented continued counter-insurgency measures in order to quell unrest in the peripheral territories of the state. It stymied cultural and intellectual expression, banning the discussion and publication of various ideas related to Marxism. What is particularly difficult to understand is that both the developmental state and the counter-insurgency state had the same ideological underpinning. Development occurred as a result of violence, not in spite of it. This ideological discourse is central to understanding the duality of the New Order: that it was simultaneously beneficial and violent, technocratic and army-dominated. This uncertainty between military and civilian mirrored the uncertainty between enemy and citizen. This dual function allowed it to operate within an emasculated legal system.

The emasculated role of the legal system is central to understanding the kind of post-colonial state Indonesia was burdened with. It was and, to an extent, remains an illiberal state. The weak courts system resulted in weak rule of law. The function of the police force to provide a safe space for public discourse

5 Lewis T. Preston, *The East Asian Miracle: Economic Growth and Public Policy*, Vol. 1 (Washington DC: World Bank Publications, 1993).

weakened as a result of its integration within the army in the late 1950s. Sukarno's effort to 'revolutionize' the courts, coupled with continued lack of support for the judiciary in the form of adequate remunerations and facilities (for instance, the provision of transport for judges), resulted in many members of this institution becoming demoralized. The executive's tendency not to follow through with the courts' decisions effectively led to the slow destruction of its authority in the eyes of the government and the people. Suspicion of the legal system thus came from both the new managerial class, which saw it as a burden that decreased efficiency, and the nationalist politicians, who saw it as manifesting continued colonial and imperial tendencies and thus as something that had to be 'revolutionized'. It was also seen as suspicious by the communists, who saw the courts in the context of class analysis as an extension of capitalist, bourgeois power. In the eyes of the PKI, the legal system had to be revamped in order to express a clearly pro-proletariat and anti-bourgeoisie bias. This was somewhat similar to Sukarno's *revolusi* of the legal system, although he analysed it in the context of imperialism rather than class warfare. In any case, the legal system received little support from any part of the elite. In essence, it was the illiberal nature of Indonesia's elite that resulted in the creation of an illiberal state. Yet, there is no doubt that the role of the managers and their ideology was, in a way, very important, because they legitimized and cemented in place this illiberal state, which was to continue to exist for much of the twentieth century.

This state imploded spectacularly during the late 1990s, taking away many of the achievements that it had generated during the previous couple of decades. Indonesia's GDP shrank significantly, to levels similar to those of the early 1970s. Many of its industries and major companies effectively went bankrupt. Even worse, its collapse resulted in instances of violence and civil war across the archipelago. Yet, what arose from the ashes of the post-New Order collapse was a somewhat imperfect liberal order. The civil society that had previously been smothered burst forth in an explosion of expressions of political identities, parliamentary democracy was reintroduced, and the Indonesian state underwent a massive decentralization programme. The courts system was strengthened, and human rights and the rule of law became values that were sought after. In the early 2000s, there was a flowering of various identities that was made possible due to the absence of the state from all levels of society. The democratic state was messy and corrupt, and its economic growth rate was, on average, two percentage points lower than it had been during the New Order period; yet there was also the greatest-ever expansion of the Indonesian middle class, an explosion of creativity and identity, and the systematized, regular, and non-violent transfer of power through elections. It was and is, on the

whole, a less violent and more stable society. Yet, there was also something of a duality between the ideologies that were steadfastly clung on to by many Indonesians and the institutional reality that was achieved after the New Order. The constitutional changes that brought about a liberal state in Indonesia between 1999 and 2002 were what Donald Horowitz called an 'inside job', in that they were crafted by politicians and experts within the regime and Indonesian society was not consulted.[6] This resulted in the paradoxical creation of a liberal order that would be challenged by many groups within society as a result of its democratization. This can be seen most noticeably amongst the Islamist groups which have noted their dislike of liberalism and its institutions, including democracy.

It is difficult to weigh up the total costs and benefits of the managerial state and certainly this book has no capability, nor intention, of doing so. What we can understand from its rise was its historically contextual nature: the legitimacy given by the international Cold War context, alongside the institutional support from the West (and East). Another important aspect was the resources it required to achieve domestic control. This civil-military dual control must have been financially expensive, but it also accrued many expenses in other ways. Civil society represents a resource for creativity, the production of new ideas, and resilience. Taking that away has impoverished the cultural and intellectual life of the nation and may have made it less resilient to the upcoming changes. It may perhaps explain the explosive tendency of the New Order society to fall into riots and violence during its rule. If this is the case, perhaps a study of the post-New Order violence and whether the presence of democracy lessens this tendency is in order. The effects of these changes are not something that can be easily calculated. The New Order ended in a way similar to its rise: in a conflagration of economic collapse and widespread violence. The difficulty of maintaining this state is quite understandable. The inability of the New Order state to engineer a peaceful transfer of power was indicative of yet another aspect of the negative nature of this regime.

The massive costs entailed in ensuring such societal control mean that the possibility of creating another managerial state in the future must be rather limited. Technological development may reduce the cost of control in the future; yet, as we have seen recently, these same technologies also create new challenges for the state regarding the control of society. An example of this is the way in which the Internet afforded ordinary people the means to self-organize

6 Donald Horowitz, *Constitutional Change and Democracy in Indonesia* (New York: Cambridge University Press, 2013).

during the political movements of the early 2010s. The experiments of the twentieth century can also be read as an omen for the future. Liberal faith in democracy and the market place is currently under strain; another round of state-led managerialism could replace this, colouring the twenty-first century in a way similar to that of the twentieth century. In Indonesia, nostalgia for the New Order reared its head in the election campaigns of 2014 and 2019. What was remembered was the positive side of the New Order developmental state. It is important to be wary of the next get-rich-quick scheme that comes along. Indonesian civil society needs to be honest and come to terms with its liberal institutional form and the illiberal beliefs of many of its citizens and societal groups. This mismatch between liberal forms and illiberal values in some ways mirrors the mismatch that existed during the period of parliamentary democracy in the 1950s. Yet, the actions of the Konstituante, the body created to craft a democratic and liberal Indonesian constitution, were cut short by Sukarno's Guided Democracy. This was despite the fact that the body had almost finished creating Indonesia's democratic constitution. In the present, efforts have been made to trace non-Western forms of 'liberal values' as a way of provincializing Europe, as, for instance, exists in the ideas of Islam Nusantara[7] and others. This research has been conducted so as to give legitimacy to the liberal form of the Indonesian state. Yet, one might fear that if the core values of Indonesia remain illiberal, then the existence of democracy will constitute a slippery slope towards illiberal forms and institutions in the future. As we have seen in the past, these forms usually result in the spread and consummation of violence and the continuing tragedy of the Indonesian people.

7 A model of Islam based on its contextual development in the Indonesian archipelago. The movement supported a moderate form of Islam that is compatible to Indonesian cultural values.

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PANCASILA

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DEPARTEMEN SEJARAH
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YOGYAKARTA ● INDONESIA

In *Authoritarian Modernization in Indonesia's Early Independence Period*, Farabi Fakih offers a historical analysis of the foundational years leading to Indonesia's New Order state (1966-1998) during the early independence period. It looks into the structural and ideological state formation during the so-called Liberal Democracy (1950-1957) and Sukarno's Guided Democracy (1957-1965). In particular, it analyses how the international technical aid network and the dominant managerialist ideology of the period legitimized a new managerial elite. The book discusses the development of managerial education in the civil and military sector in Indonesia. It gives a strongly backed argument that Sukarno's constitutional reform during the Guided Democracy period inadvertently provided a strong managerial blueprint for the New Order developmentalist state.

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